

FINANCIAL TIMES

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Britain: new pattern
for industrial
relations, Page 10

D 8523 B

World news

Business summary

Guyana President Burnham dies

Forbes Burnham, head of government in Guyana for 21 years, died of a heart attack. Desmond Hoyte was sworn in to succeed him as President.

Burnham suffered several bouts of illness over the past five years, and frequently sought treatment in Europe and Cuba.

The change in leadership is not expected to cause any immediate shift in Guyana's foreign policy, which in recent years has seen close ties with East European countries and worsening relations with the West.

Mid East summit

Arab League summit opens in Casablanca with King Hussein of Jordan and Mr. Yasser Arafat, PLO leader, seeking backing for their peace plan to settle the Middle East conflict. Page 3

Uganda peace bid

Uganda's Democratic Party leader, Paul Semugere, called on both sides in the four-year bush war to declare a ceasefire in a new bid for peace.

Soviet-Sweden thaw

Mr. Viktor Mal'tsev, Soviet Deputy Foreign Minister, arrived in Sweden on the first visit by a senior official from his ministry since bilateral relations turned sour over alleged Soviet submarine intrusions into Swedish waters.

Danish arrests

About 100 peace demonstrators were arrested after they scaled the perimeter fence of a Nato airbase in Denmark. In Copenhagen, 72 more people were detained after embassies were occupied in protest at imprisonment of objects to compulsory military service.

Helicopter crash

The pilot of a U.S. Army helicopter was killed when the aircraft crashed near Cairo during joint U.S.-Egyptian military exercises.

Star wars condemned

A group of West German scientists and celebrities launched a campaign against President Reagan's star wars defence programme. More than 12,000 have already signed a statement condemning SDI.

French coast hit

Naval helicopters plucked terrified campers from flooded beaches after freak waves over two metres high hit France's Mediterranean coast. Page 2

Innsbruck flooded

At least two people died after a storm which raged across Austria. The river Inn overflowed and flooded part of Innsbruck.

Forest shell fire

Fires swept through a mountainous forest region near France's border with Italy, sparking a series of explosions from World War II shells and grenades.

Hiroshima appeal

The explosion of an atomic bomb over Hiroshima 40 years ago was marked at the blast site and elsewhere in the world with warnings that nuclear weapons should never be used again. Page 3

U.S. reject charge

U.S. rejected a charge by the Soviet Union accusing it of having planned to atom-bomb Soviet territory in the 1940s.

Priest summoned

Father Henryk Jankowski, spiritual adviser to Solidarity leader Lech Walesa, said he had been summoned for questioning on Friday by the prosecutor's office in Gdansk.

Mexico 'will not meet IMF targets'

MEXICO's Government said its target this year to reduce inflation and the public sector deficit agreed with the IMF would be missed by wide margins.

CARL KAHN, New York financier, has increased his stake in TWA to 40.6 per cent, strengthening his hand in the takeover battle for the U.S. airline. Kahn's 576,000 offer is worth \$1 a share more than Texas Air's rival proposal. Page 13

HONG KONG shares were fuelled by a late rally that took the Hang Seng index through the 1,700 barrier for the first time in four years. The index gained 29.03 to 1,700.93. Page 30

TOKYO prices fell for the fourth consecutive session. The Nikkei-Dow market average shed 13.34 to 12,437.28. Page 30

LONDON shares rebounded strongly, but still eased on money supply data. The FT Ordinary share index gained 12.2 to 856.1. Page 30

WALL STREET: The Dow Jones industrial average closed down 21.73 at 1,335.18. Page 30

DOLLAR was firmer in London, rising to DM 2.949 (DM 2.925), SwFr 2.3625 (SwFr 2.322), FFf 8.60 (FFf 8.6125) and £238.45 (£237.4). On Bank of England figures, the dollar's exchange rate index rose from 137.5 to 138.4. Page 2

STERLING declined in London, losing 22 cents against the dollar to \$1.9485. It was also lower at DM 3.5625 (DM 3.560), SwFr 3.1825 (SwFr 3.18), FFf 11.78 (FFf 11.785) and £221.6 (£220.75). The pound's Bank of England exchange rate index slipped to 80.3 from 81.1. Page 2

GOLD fell \$3.25 on the London bullion market to \$292.25. It was also lower in Zurich at \$290.00. In New York the Comex August settlement was \$292.70. Page 2

ARGENTINA announced a package of measures aimed at boosting industrial exports and generating foreign exchange revenue to help meet the country's debt payments. Page 4

OIL consumption in the industrialised world is estimated to have fallen by about 3.5 per cent in the second quarter of 1985 compared with the same period of last year. Page 2

JAPANESE CONSORTIUM led by Chiyoda has won a \$195m contract for the expansion of the Thai Oil Refinery, one of Thailand's single largest industrial projects. Page 4

LALY, a small Norwegian investment company, is attempting to secure control of Kongsberg, a Norwegian shipping and industrial group with a current market value of more than Nkr 2bn (\$2.4m). Page 13

AUSTRALIAN retailers G. J. Coles and Myer Emporium are to merge forming a powerful retailing combine with total annual sales of more than A\$10bn (U.S.\$7.1bn). Page 13

TOYOTA, South Africa's largest motor manufacturer, slipped into a loss before tax of R10.1m (\$4.9m) in the first half of this year as a result of lower operating costs, higher interest charges and foreign exchange losses. Page 13

KOSMOS, Norwegian shipping and industrial group, with a current market value of more than Nkr 2bn (\$2.4m), has received a surprise offer for 50.1 per cent of its shares from Laly, a small investment company. Page 13

DUTCH-based group European Fire Protection bought a 53 per cent stake in Sicil, France's leading manufacturer of fire protection equipment. Page 13

AUSTRALIAN retailers G. J. Coles and Myer Emporium agreed on a merger which will create the country's leading stores group following an improved offer from Coles. Page 13

AKZO, Dutch chemicals and fibres group, lifted second-quarter earnings by 5 per cent to F120m (\$84m) and now expects to beat last year's record profits. Page 13

BBC in crisis as board reaffirms Ulster film ban

BY RAYMOND SNOODY IN LONDON

THE BBC, Britain's state television and radio service, was plunged into one of the most serious crises in its history last night as its Government-appointed board of governors rejected the unanimous advice of BBC management for the second time and upheld its ban on broadcast of a documentary about Northern Ireland.

News reports will be blacked out today in most of Britain by a 24-hour strike by the overwhelming majority of BBC journalists, supported by many of their colleagues on Britain's independent television channels.

The Federal Services of the BBC, which broadcast to a regular audience of more than 100m in 36 languages, and the World Service will have no regular programmes during the strike.

The transmitters will be kept open but only music will be broadcast together with regular explanations of the break in service.

Mr Stuart Young, chairman of the governors, Sir William Rees-Mogg, deputy chairman, Mr Alasdair Milne, director general and Mr Alan Protheroe, assistant director general, will go to the Home Office

today at 2.30pm for talks with Mr Leon Brittan, the Home Secretary.

One of the issues raised would be the "unacceptability" of any attempt by the Government to censor the BBC.

Mr Brittan last month sent a letter to the BBC saying that it would be "contrary to the national interest" for a film featuring an interview with one of the alleged heads of the IRA to be shown. He made the request without having seen the film or a transcript.

The governors' decision last week not to show the programme, also followed a statement by Mrs Margaret Thatcher, the Prime Minister, that she would "condemn utterly" the broadcast of any such film. The programme examines polarisation in Northern Ireland through interviews with Mr Martin McGuinness, an elected local councillor of Sinn Féin who the Government claims is head of the Provisional IRA, and Mr Gregory Campbell, a Protestant local councillor who believes the IRA should be shot on sight.

The BBC board of management will meet today after the talks with Mr Brittan.

The governors yesterday rejected by the same 10 to 1 vote as a week ago a series of compromise proposals put forward by management which would have allowed the programme to be shown in modified form.

Mr Young said yesterday the board considered the programme to be flawed in its present state. It would, even if amended, be "unsuitable for viewing in the prevailing atmosphere." Mr Young added in a long statement: "The board therefore, had no alternative but to exercise its constitutional right and responsibility."

The BBC chairman, the brother of Lord Young, the Cabinet Minister, said that the Board objected most strongly to some of the things Mr Brittan had said in his letter of July 29. "It (the board) is most disturbed that the decision of the previous week has been seen as yielding to Government pressure," Mr Young said.

At today's meeting at the Home Office, BBC representatives will be insisting on the "total unacceptability" of censorship and the board's

Continued on Page 12

UK steel mill closure threatens Ravenscraig

BY IAN RODGER IN LONDON

THE UK Government has approved plans to close the British Steel Corporation's (BSC) cold strip mill at Gartoch in Scotland. The move, due to be formally announced today, was seen last night as another threat to the future of the large integrated steelworks at nearby Ravenscraig, in Motherwell.

The closure of Gartoch, with the loss of about 800 jobs, forms part of an overall plan aimed at putting BSC on a sound footing. EEC industry ministers have agreed that all major steel companies must demonstrate their ability to survive without further subsidy by the end of this year.

Scottish political and trade union leaders, who learned of the decision on Gartoch yesterday, quickly made clear their determination to fight it. Dr Jeremy Bray, the Labour MP for Motherwell, said: "It is essential for Ravenscraig that Gartoch remains open."

Mr Clive Lewis, Scottish divisional organiser for the Iron and Steel Trades Confederation, said the decision "will be opposed by the entire Scottish workforce."

But Mr George Younger, the Government's Scottish Secretary, who

has vigorously supported the campaign to save Ravenscraig for the past three years, was unusually subdued. He said: "Any decision on the future of Gartoch is a matter entirely for the BSC."

The Gartoch closure would seem to jeopardise the long-term future of the hot strip rolling mill at Ravenscraig. Gartoch provides the final rolling and treatment of a large portion of the coils of wide steel strip rolled at Ravenscraig.

The finished strip is then used mainly for vehicle and domestic appliance body panels. Its closure means that all coils made at Ravenscraig will have to be shipped to other BSC sites for finishing.

This will put the Ravenscraig coils at a significant cost disadvantage to those made at BSC's other two strip mills at Llanwern and Port Talbot in South Wales which each have their own finishing mills on site. When demand for coil is weak, BSC will probably want to cut output at Ravenscraig first.

The outlook for the steelworks itself seems somewhat brighter. It has modern refining equipment that other works lack, and its output of slabs can, and to some extent already is, be directed to making high quality plate for offshore structures and pipelines rather than strip.

Its output will be particularly useful next year when steelmaking at the Teesside works in North-East England will be reduced while the big Bedcar blast furnace is being rebuilt.

BSC would ultimately like to close one of its five integrated sites to reduce its overheads. Officials

Continued on Page 12

Black & Decker set to launch small appliances in Europe

BY CHRISTOPHER PARKES IN LONDON

BLACK & DECKER's threatened invasion of the fragmented European small appliances market will start in October with the launch of a wide range of kitchen, personal care and heating products in Britain.

The timetable has yet to be fixed for further penetration in Europe, but France, Italy, West Germany and the Benelux countries are the prime targets, with the offensive starting some time next year.

The arrival of the U.S. power tools and garden equipment company will pit the might of one of the best known brand names in the world - and one of the most aggressive marketing strategies - against names such as Moulinex, Morphy Richards, Philips, Kenwood, Russell Hobbs, Swan, Braun and Krups.

Mr Roger Thomas, managing director of British operations, refused to reveal his sales targets, but he said, for example: "We would be happy to move into the number three slot in the market for irons in the short term." Last year Morphy Richards had a 27 per cent share of this business in the UK, followed by Rowenta with 21 per cent, Philips (10 per cent) and Sunbeam (9 per cent).

The Rowenta and Sunbeam brands are sold by Allegheny International, another U.S. company based just around the corner from Black & Decker on the outskirts of Baltimore.

Allegheny and Black & Decker are both developing aggressive global product marketing strategies, manufacturing products which match most countries' legal, safety and aesthetic demands.

Mr Thomas said that in the long term he expected the European market to be dominated by three to five major suppliers, including the two U.S. giants.

First products on sale in the UK will include irons, toasters, kettles, fan and convection space heaters, hair dryers, cutting brushes, women's shavers, and a range of rechargeable cordless lighting appliances.

Black & Decker is basing its attack on the small appliances division of General Electric, which it bought in 1984 for \$300m. While it is still in the process of rationalising the acquisition and transferring its own brand onto the GE range in the U.S., Black & Decker has moved swiftly to open up new markets. At the time of the takeover, the GE division was just about breaking even on annual sales of \$470m.

Pretoria hints at changes in apartheid policies

By Patti Waldmeir in London and Jim Jones in Johannesburg

SOUTH AFRICA's state-controlled radio yesterday hinted that the Government, faced with the threat of economic sanctions from abroad, a national black miners' strike and increasing turmoil in black townships, would soon implement important changes in its apartheid policies.

The suggestions of further reforms in the office came against a background of fresh violence in the black townships, including an incident in which police hurled tear-gas grenades into the home of Mrs Winnie Mandela, wife of imprisoned African National Congress (ANC) leader, Mr Nelson Mandela, and a leading anti-apartheid figure in her own right. Mrs Mandela was not at home at the time. About 30 people were arrested in the incident.

A potentially explosive confrontation between miners and police during the funeral of a teenage girl in the township of Daveyton was later defused by Bishop Desmond Tutu, Bishop of Johannesburg, when he used his authority to mediate between the two sides.

There have been several other recent incidents in which Bishop Tutu has exercised his considerable personal prestige to prevent violent incidents which he opposes, including an instance last month when he physically intervened to stop a mob from burning to death a suspected police informer.

Under the current state of emergency, severe restrictions have been placed on funerals, which were one of the last remaining legal outlets for black political activity.

A commentary on the state-run radio yesterday morning gave rise to speculation that some of the apartheid measures which are the root causes of increasing violent opposition in South Africa might soon be changed.

The commentary said: "There is growing expectation in the country that important policy statements will be coming from Government ministers during the next few weeks." It referred to reform measures "in the pipeline" and said there were reasons why they should be made public now. Observers said the ruling National Party conference, due to take place in Durban on August 15, was a likely time for an announcement of further reforms.

Reforms which have been under consideration for some time include the following:

● Granting blacks the right to own freehold property in cities and helping them to buy homes;

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BankAmerica cuts dividend nearly in half

BY WILLIAM HALL IN NEW YORK

BANKAMERICA Corporation, the second biggest banking group in the U.S., has cut its quarterly dividend nearly in half in a firm signal to the world's financial markets that it intends to get to grips with its deep-seated problems.

After a long board meeting on Monday, the San Francisco-based banking group, which recently reported an unexpected \$330m second-quarter loss, announced that it was reducing its quarterly dividend by 18 cents a share to 20 cents a share. The dividend was last standing at this level in early 1977.

Mr Sam Armacost, BankAmerica's chief executive, said that the action which was recommended by management and approved by the board, "strikes a responsible balance between the corporation's ability to fund growth out of retained earnings and its desire to provide shareholders with a reasonable dividend."

Mr Armacost noted that the reduced dividend "reflects the reality that key parts of the economy, which have major impact on the corporation's loan portfolio, remain under considerable stress and are responding unevenly to the improvement in general economic conditions."

BankAmerica is one of the most

widely held stocks in the U.S. and Mr Armacost said that the dividend cut was "a very hard decision for us." He said, however, that the action "clearly was in the best interests of the corporation, and by extension, shareholder values."

It is very rare for a leading U.S. bank to cut its dividend. The move reflects the seriousness of the financial problems facing BankAmerica, which has been hit by heavy losses in its loan portfolio. The only other U.S. banks to cut their dividends recently are Continental Illinois, which was effectively nationalised, Crocker National, and InterFirst.

In most cases the decision to cut the dividend has been followed by top management changes and Wall Street analysts believe that the latest action by BankAmerica, whose earnings have slumped over the last four years, will re-focus attention on the future role of Mr Armacost, the 49-year-old chief executive, who has been running the group since April 1981.

In heavy trading early yesterday BankAmerica shares fell by \$14 to \$154 and shares of other bank

Continued on Page 12

Lex, Page 12; Wall Street reaction, Page 30

Italians eye second Soviet plant contract

BY ALAN FRIEDMAN IN MILAN

ITALIMPIANTI, the Italian state engineering company which last weekend was awarded a \$970m contract to construct a steel tube plant in the Soviet Union, is in an advanced stage of negotiations with Moscow for a second contract of similar size.

The Genoa-based company, which is part of the IRI-Fininvest state holding group, declined to comment yesterday, but it is understood that the Italians have high hopes of winning a second steel tube turnkey contract.

It also emerged yesterday that Italimpianti, together with Ciesim, a French company, is also talking to Moscow about prospects for building a third steel plant, which would produce semi-finished steel products and be located near the Soviet city of Orel.

The deal agreed last weekend calls for the construction over three years of a steel works and adjoining tube works. The steel works will

have annual productive capacity of 1m tonnes, while the tube factory is set to produce 720,000 tonnes a year.

The potential second steel complex would be built close to the first at Volgograd, near the Soviet city of Volgograd. It appears that the second plant would be designed to produce steel tubing with a smaller diameter than the 10 inch tubes to be produced at Volgograd.

If Italimpianti is successful in winning the second order, the deal could be announced as soon as September, when the Volgograd contract is to be formally signed.

A second order for close to \$1bn would mean that the two contracts taken together would amount to roughly the size of Italy's 1984 L4,300bn (\$2.3bn) trade deficit with Moscow. Italy has for several months been complaining to Moscow about the size of the bilateral trade imbalance.

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Uganda's efforts to form caretaker Cabinet run into trouble

BY MARY ANNE FITZGERALD IN KAMPALA

MORE THAN two weeks after the military coup in Uganda which ousted President Milton Obote, the process of forming a broad-based caretaker government to run the country is in trouble.

There are doubts that Mr Paolo Muwanga, the Vice President under Dr Obote and now the Prime Minister, will be able to achieve reconciliation between the various players now jostling for a foothold in the interim government.

He is widely blamed for sanctioning, if not actually furthering, the sometimes brutal harassment of the opposition which took place under Dr Obote, as well as for rigging the 1980 election which brought Dr Obote to power for the second time.

As Minister of Defence under the ousted regime, Mr

Muwanga's reputation was also tainted by the atrocities committed against the civilian population by the Ugandan army, especially in the so-called Lawero triangle area where many thousands of people are believed to have died.

Mr Muwanga has had only minor success so far in rallying support for the proposed caretaker cabinet from among the country's four opposition parties and various guerrilla groups.

The most powerful guerrilla movement, the National Resistance Army (NRA), is proving untransigent, with the NRA leader Mr Yoweri Museveni making what many view as impossible demands.

Mr Museveni has demanded that Gen Tito Okello, the head of state, replace half of the members of the ruling military council with Mr Museveni's own

men. Gen Okello is most unlikely to concede this.

Yet without Mr Museveni, who commands a large guerrilla army controlling parts of the central and western provinces, prospects for future stability of the regime are grim.

The most important politician to have opposed Dr Obote, Mr Paul Semogerere, leader of the Democratic Party (DP), has agreed to serve in the caretaker cabinet as Interior Minister.

According to a DP spokesman, the party had objected to the appointment of Mr Muwanga, widely regarded as having masterminded the latest coup, as Prime Minister. "Disappointed is the word we used. We made it clear we wanted a neutral man."

These kaleidoscopic shifts of alliances and supremacy, at least partially rooted in deep-seated tribalism, perpetuate

Uganda's high-profile reputation for lawlessness.

Dr Obote is, for the second time, in exile; but the majority of players, familiar from the political arena since 1982, are still in evidence. The question is whether they can put their rivalry aside to form a coalition government that will address the pressing need to revitalise an economy battered by years of neglect under Idi Amin.

Coffee represents 90 per cent of export earnings, but estates must be rehabilitated to generate foreign exchange. Infrastructure must be spruced up. Prior to the coup, the World Bank was backing a project to expand electricity production at the Owen Falls dam on the Nile, and a contract had been awarded to repave 1,400 miles of badly potholed roads.

Meanwhile, the politically astute Mr Muwanga continues his efforts to piece together a Government, urging guerrilla groups, primarily the NRA, to participate. But the military council, and Mr Muwanga, have yet to hold roundtable discussions with all parties involved, although Gen Okello has proposed a meeting next Monday with the main guerrilla groups. Mr Robert Kitarika, secretary general of the DP, said yesterday the cabinet should be announced "this week." The 28-member cabinet would be composed mainly of members of the DP and Dr Obote's former party, the Uganda Peoples Congress (UPC), with a few seats for the smaller parties. Four seats have been reserved for members of the guerrilla movements.

Already, many Ugandans are privately questioning whether Mr Muwanga, whose grassroots

mandate to rule is considered dubious, will be willing to allow his leadership to be tested at the polls in a year's time, as promised by Gen Okello soon after the June 27 coup.

In 1980, Mr Muwanga did not consider he had sufficient support to stand for election in his constituency, and he entered the Obote cabinet as a nominated MP.

It is also not certain whether the ethnic squabbles that divided the 20,000-odd army can be dampened. Lack of discipline has been such that under Dr Obote many brigade leaders operated as independent robber barons. It is left to Gen Okello, a seasoned but somewhat inept soldier, to close the ranks.

He is also faced with the prospect of integrating several thousand guerrillas among troops who have been waging a bloody war against them. Uganda's troubles may be far from over.



Muwanga: limited success in rallying support

Zimbabwe police hold 30 Zapu members

By Michael Holman in Harare

OVER 30 members of the Zimbabwe's opposition Zapu party, including an MP, have been held for questioning following searches of the Harare and Bulawayo homes of the party leader, Mr Joshua Nkomo, police said yesterday.

The action, which follows repeated threats to ban the party, has prompted speculation that the Government may be gathering material for a court case which would attempt to substantiate allegations that Zapu is behind armed anti-Government dissidents operating in Matabeleland, Mr Nkomo's stronghold.

Among those arrested is Mr Sydney Malunga, the Zapu MP for Bulawayo's Mpopoma Constituency.

Mr Henry Mukurazhiza, acting Police Commissioner, was reported yesterday as saying that 31 people, including 14 women, had been arrested during the raids; Party documents and other material were confiscated. In the preceding week police had seized weapons belonging to Mr Nkomo's bodyguards in the course of searches of the Zapu leader's homes. Mr Robert Mugabe, the Prime Minister, bitterly denounced Zapu after his overwhelming victory in last month's general election.

Palestinian issue tops agenda at Arab League summit

BY TONY WALKER IN CASABLANCA

AN ARAB LEAGUE summit opens in Casablanca today with King Hussein of Jordan and Yasser Arafat, chairman of the Palestine Liberation Organisation, seeking backing for their plan to settle the Middle East conflict.

The Palestinian question has dominated discussions in preparation for the summit whose status has been reduced because of a boycott by militants led by Syria. About half of the some 18 countries attending are not being represented by their heads of state. King Fahid of Saudi Arabia is being represented by his heir apparent Crown Prince Abdullah.

Syria has warned that the holding of the Arab League summit, the first since the Fes meeting in September, 1982, will further exacerbate tensions in the Arab world.

Damascus is bitterly opposed to the Hussein-Arafat accord on February 11 which proposes the formation of a Palestinian state in the West Bank in confederation with Jordan as a means of settling the Arab-Israeli dispute. Syria has described the plan as "capitulationism."

King Hussein and Mr Arafat have been behind moves to hold this summit, apparently in the hope that it will give further impetus to their attempts to revive the stalled peace process.

Senior officials of countries attending the summit met on

Monday to settle an agenda. It is not clear what direction discussion will take, but King Hassan of Morocco suggested, when summoning Arab heads of state to the meeting, they should address themselves to issues dividing the Arab world, most particularly the Palestinian question.

King Hussein and Mr Arafat have been lobbying Arab leaders in an attempt to gain support for their peace efforts. The Casablanca summit will provide a further useful forum for these efforts.

The two leaders are seeking maximum endorsement initially for an exploratory dialogue between a joint Jordanian-Palestinian delegation and U.S. officials in preparation for negotiations with Israel. These would be aimed at the recovery of occupied territory and Palestinian self-determination within the context of a Jordanian-Palestinian confederation.

The U.S. has accepted the idea of a dialogue and is likely to approve some of the names on a list of Palestinian representatives, though not necessarily those with overt PLO connections, submitted by Jordan. It is, however, the idea of eventual negotiations taking place in the context of an international conference involving the Soviet Union—which, anyway, is opposed to the initiative in solidarity with Syria.

Japan agonises over defence spending

BY JUREK MARTIN IN TOKYO

JAPAN IS again in the throes of a summer drama, possibly this time its final act, over whether or not defence spending should exceed 1 per cent of gross national product.

Although the arguments and even numbers remain much as they have been for years, the tension has clearly been heightened by the two 40th anniversaries—of the atomic bombing of Hiroshima, which was commemorated yesterday, and of Japan's surrender in the last war, which falls due on Thursday next week.

In practical terms, the critical factors are two policy decisions the Government must take within the next few weeks: over a general pay increase for the civil service, including the military, and over the content of its 1986-1990 medium-term defence plan. Either or both of these should result in a breach of the 1 per cent ceiling laid down by the Miki Government in 1976.

Matters could even be taken out of the Government's direct hands if the national economy continues to perform disappointingly. Real growth, closely following that of the U.S., seems to have slipped back to 4 per cent a year at best, well under earlier official and private forecasts. This year's budget, which assumes higher growth, puts defence outlays at 0.997 per cent of GNP.

In Hiroshima yesterday, Mr Yasuhiro Nakasone, the Prime Minister, ducked controversy by insisting that "nothing has been decided" on the defence plan and the 1 per cent ceiling. His belief that the limit unnecessarily restricts Japanese defence capability is, however, well known: he has urged introduction of a more flexible formula.

Other Japanese elder statesmen, including several former Prime Ministers, have been less reticent. Within the last 24 hours, both Mr Takeo Miki and Mr Zenko Suzuki have urged prudence and caution on Mr Nakasone. Mr Suzuki argued that the existence of the ceiling had reassured both the Japanese public and Asian neighbours that Japan had renounced military ambitions.

Mr Nakasone's rivals have been put on the spot. In an interview with the Asahi Shimbun yesterday, one of them, Mr Shintaro Abe, the Foreign Minister, confessed he



Abe: undecided

still had not decided whether or not to support breaching the ceiling.

Another, Mr Noburo Takeshita, the Finance Minister, has been equally circumspect.

The Japanese media, whose commemoration of Hiroshima has been for the most part muted, is again working itself into a fine pitch of indignation over whether or not Mr Nakasone should go to the Yasukuni Shrine on August 15 in an official capacity. This shrine honours those killed in action and is, to some, a symbol of Japanese militarism. Mr Nakasone repeated yesterday that "nothing has been decided" about his attendance this year.

Mr Nakasone's hand may have been strengthened by two factors essentially disconnected from the intrigue of Japanese politics. One is his high public standing and the lack of general interest in security issues in Japan. The second is the continued discretion employed by the U.S. Administration on defence.

Although the U.S. Congress has again begun in assorted resolutions to link trade and defence, Administration pressure for higher defence spending has been minimal, in comparison with the 1970s. The absence of this has enabled Japan to upgrade the quality of its defence forces and even to transfer military-related high technology to the U.S. with relatively little domestic furor.

Nevertheless, Mr Nakasone is tip-toeing through a political minefield. Last night, Mr Abe, of interested parties, Mr Koiso Kato, head of the self-defence forces, and Mr Takeo Fujinami, Cabinet Secretary, were exchanging views on stage.

IMF set to extend grace period on Sudanese debt

BY JOHN MURRAY BROWN IN KHARTOUM

SUDAN seems likely to join Vietnam in the annals of the International Monetary Fund history tomorrow when the IMF board meets to consider its debt arrears. The most likely outcome is that the fund will extend the period of grace for repayment of Sudan's \$160m (\$101m) arrears on its debt for a third time. Only Vietnam has previously received such treatment.

Sudan's principal donors, the

U.S. and Saudi Arabia, are reluctant to release funds to settle the arrears of the country's \$9bn debt. At a recent gathering of Arab League finance ministers in Khartoum no agreement was reached on a joint League programme to resolve the problem. The Saudis and Kuwaitis were said to be concerned over Sudan's recent rapprochement with Libya, and although the U.S. has said it is willing to give \$50m towards

settling the arrears, it is now also acting more cautiously.

The Libyan rapprochement has also caused rifts within the Sudanese Government, as have the Government's new accords with Egypt, which have been widely criticised.

The critics have added to the pressure on Mr Abdel Magied, the Finance Minister, who offered his resignation 10 days ago following increased trade

union criticism of his policies.

The union's demands, which were supported by Dr Gizouli Dafalla, Prime Minister, were in part appeased by the decision to demote Mr Mahdi el Fakki, the Governor of the central bank, who was replaced by Mr Ismael Mishaq, an ex-under secretary at the Ministry of Finance and a World Bank director.

In a move towards fulfilling

one of the policies of the IMF programme the Finance Minister this week sent a circular to commercial banks giving permission to set a free exchange rate. So far the banks appear reluctant to respond—the black market rate is 15 per cent higher than the commercial bank rate.

Floating the exchange rate could encourage a rise in remittances from Sudanese working abroad.

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AMERICAN NEWS

U.S. mints motherhood and patriotism

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

CONGRESSIONAL anger over South African apartheid may soon have the side effect of providing Americans with a patriotic new investment opportunity.

The South African sanctions legislation now nearing completion on Capitol Hill provides, among other things, for the minting of a series of four U.S. gold coins to compete with the trugrand—of which further imports would be banned—as well as, incidentally, with the increasingly popular Canadian Maple Leaf.

If the bill becomes law, ending or overruling a presidential veto, the Secretary of the Treasury will be required to start issuing the new coins, perhaps to be known as American eagles, by October of next year.

The Treasury, nervous over anything that smacks of a return to the gold standard, is

not keen on the idea. But it could in fact turn a handsome profit from the operation. The law stipulates that the coins must be minted either from domestically mined gold, or from U.S. reserves held in Fort Knox and other strongpoints. U.S. gold stocks are valued at just over \$1bn at the official rate of \$42.25 per fine troy ounce.

The Treasury, however, would sell the coins to the public at the current market rate of about \$320 an ounce, plus production and minting costs, and pocket the difference "for the sole purpose of reducing the national debt," says Congress sternly.

The Treasury would have to mint the coins in sufficient quantity to meet popular demand, which is likely, according to the bill's sponsors, to run about 2m ounces annually, representing a windfall to the Treasury of



some \$500m or more a year.

The coins would come in denominations of \$5, \$10, \$25 and \$50, and be legal tender at their nominal face value. It would be pretty foolish, however, say the promoters, to walk into a grocery store and tender a \$50 coin really worth about \$320. The gold content would range from one tenth of an ounce in the \$5 coin to an ounce in the \$50 piece.

The Secretary of the Treasury, currently Mr. James Baker, would be design for the coins, except for the \$50 piece, on which Congress intends to mandate its own design. The required design, which has already irked some feminists, must represent "a family of eagles, with the male carrying an olive branch and flying above a nest containing a female eagle and hatchlings."

The idea is to make the coins a "symbolic tribute to the American family"—a thought that should certainly appeal to the Reagan Administration—as well as to the nation's senior citizens and young people. Feminists argue that it would perpetuate the outmoded concept that the female stays at home in the nest while the male soars free.

All the coins would be heavily loaded with patriotic

symbols. Each one, according to Congress, must carry the words "Liberty," "In God We Trust," "United States of America" and "E Pluribus Unum" ("out of many, one").

The bill's sponsors say that the "move" should not be interpreted as the thin end of the wedge in a bid to restore the gold standard, because it will involve no new link between the dollar and gold. It should not, they say, affect monetary policy, as the coins are not expected to circulate in large numbers.

But will the American eagle be tainted by the inclusion of South African gold? Congressional experts say that most of the gold in Fort Knox has been there for 50 years or so and was largely domestically mined. Any lingering South African gold is they are confident would predate the apartheid laws.

Nicaraguan army claims control of frontier

By Tim Coone in Managua

THE CAPTURE by Nicaragua's armed forces of the last guerrilla stronghold on the San Juan river has left the Government in almost complete control of the country's southern frontier with Costa Rica.

The Contra base of Sarapiquí fell to Government troops on Sunday, Commander Roberto Calderon, the local military chief, said.

Troops of the Rightist guerrilla organisation ARDE, based in Costa Rica, have been operating in the zone for more than two years, closing the river to civilian traffic and maintaining supply lines to their units operating deeper inside the country.

An army offensive was launched at the beginning of June to regain control of the region, one of the most inaccessible parts of the country. The river, which forms the border with Costa Rica, is the region's principal communication route.

With the fall of Sarapiquí, the last supply and command base inside Nicaraguan territory, Commander Calderon said the army was trying to drive the remaining Contra forces inside Nicaragua back across the frontier into Costa Rica.

Yesterday, 19 U.S. citizens, including a Roman Catholic priest and a Methodist minister from New York, were due to begin the first civilian attempt to traverse the 125-mile long San Juan river since the guerrilla war began in the south of the country.

The declared purpose of their journey is to register a protest against the Reagan Administration's policy of support for the Rightist Contras seeking to overthrow the Sandinista government in Nicaragua.

Their journey will take two to three days and could be extremely dangerous. Commander Calderon said, the guerrillas were continuing to fire on army positions from across the river in Costa Rica.

Mr Victor Hugo Tinoco, Nicaragua's acting Foreign Minister, said Nicaragua still hoped to establish a demilitarised zone in stages along both sides of the Costa Rican frontier.

He said, however, that Costa Rica had been unwilling to set a date for talks.

Argentina acts to increase export revenue

BY OUR BUENOS AIRES CORRESPONDENT

SR JUAN SOURROUILLE, Argentina's Economic Minister, has announced measures aimed at boosting industrial exports and generating foreign exchange to help meet the country's debt payments.

In a 35-minute televised speech on Monday, Sr Sourrouille stressed that Argentina had won the first battle in its fight against inflation.

He said a 0.2 per cent increase in retail prices reported for July did not fully reflect the success of a dramatic anti-inflation plan put into effect on June 15, because of a carryover effect built into the price indexing methods. The true inflation rate was closer to that of wholesale prices, which actually dropped by 0.9 per cent in July, he said. "We are leaving behind a country at the end of hyperinflation."

The anti-inflation programme includes an indefinite wage and price freeze.

In a bid to boost exports, the Government had eliminated a 6 per cent export tax on a wide range of manufactured goods and significantly reduced export taxes on other industrial products.

He also said the Government would be more active in promoting special export programmes, exempt trading companies from

taxation and reduce interest rates for export financing loans. "The government hopes that this package of measures and others under consideration will constitute a substantial boost to export activity at the current exchange rate."

The Economy Ministry said the Government was seeking to boost industrial exports to reactivate the country's stagnant economy. They would also provide dollars to boost the balance of trade surplus and help meet interest payments on its \$46bn foreign debt.

However, there is no plan in the near future to lift stiff export taxes on the agricultural products which make up the bulk of Argentine exports, the official said. The revenue generated by these taxes is still crucial to financing a planned reduction in the federal budget deficit from 12 per cent last year to 4.1 per cent.

Sr Sourrouille also announced a series of large public spending projects amounting to more than \$1.3bn which he said would be self-financing. Those projects include a new oil refinery, a petrochemical plant, a steel tubing factory, an expansion of an existing petrochemical complex and increased offshore drilling off Tierra del Fuego.

Unions falter in challenge to Peru's austerity drive

BY HUGH O'SHAUGHNESSY

THE CHALLENGE of organised labour to the austerity measures decreed last week by Peru's President Alan Garcia seems to be faltering.

The seven week strike of government employees is petering out although some militants and the postal service remain affected.

Bank employees who staged a 24-hour stoppage on Monday to support a demand for a 200 per cent wage rise to take monthly salaries to \$255 (£195) returned to work yesterday. A 48-hour strike of private bus owners in Lima caused dislocation yesterday but most employees managed to get to work.

The 48 hour stoppage, which ends today, was against a new tax on fares.

Banks were operating the new parallel foreign exchange market for the first time yesterday. The dollar was quoted at a slight premium over the fixed exchange rate of 13,948 soles.

Industry in general has welcomed the halving of interest rates although many ordinary savers have not yet woken up to the fact that their deposits will henceforth earn considerably less than they have been used to.

U.S. winds up three-day assault on marijuana farms

BY NANCY DUNNE IN WASHINGTON

THE U.S. Justice Department today will wind up an intense, nationwide assault on a booming U.S. industry—marijuana farming.

Led by Mr Edwin Meese, Attorney General, 3,200 federal, state and local agents have been conducting a search and destroy mission of illegal marijuana plants grown on both public land and in private fields and greenhouses. At least 45 arrests were reported in the first day of the operation.

Mr Meese, who has made combating drug trafficking one of his highest priorities, intended to lead the assault himself on a remote marijuana field in Arkansas.

However, bad weather cancelled his participation, and instead he viewed the illegal crop by helicopter, landed at Harrison, Arkansas, and walked around two trucks containing some of the seized plants.

Police and federal officials used helicopters, aircraft and four-wheel-drive vehicles and tramped through muddy fields to find and uproot the "gateway drug," which Mr Meese said led users to harder drugs.

The largest haul on Monday was in Indiana where officials found an estimated 7m plants, much of it wild marijuana, in 15-acre crops. The largest number of first day arrests, 25, was recorded in Arkansas.

However, results were disappointing in some states. Rhode Island had to be dropped from the list of targets because officials could find very little or no marijuana. In Epping, New Hampshire, officials uprooted just 115 plants, after picking their way through blueberry fields.

There is no reliable figure for the size of the domestic marijuana industry, but the drug is believed to be a leading cash crop in California, Hawaii and Oregon.

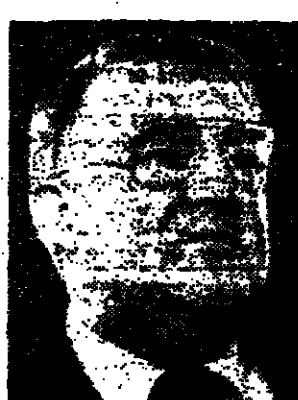
U.S. growers have reportedly achieved an expertise far beyond that of other countries, producing a high quality, potent product which has increased its

value to the drug trade.

Many experts are sceptical about the federal effort, pointing out the reliance on both local and national economies on "narco-dollars." After 18 months of study, the Rand Corporation, a respected think tank, estimated that the supply of drugs could be eliminated because the dealers simply moved elsewhere.

However, the Justice Department, taking heart from statistics showing declining marijuana use among young Americans, will not be deterred.

It said the current operation was designed to signal the Reagan Administration's determination to fight on in the war against pot.



Edwin Meese: leading fight against "gateway drug"

Arms dealer surrenders

MR CHARLES ST. CLAIR, an arms dealer charged in a alleged plot to smuggle weapons to Iran, has surrendered to FBI agents, authorities said, AP writes from Florida.

Mr St Clair, 54, from Granada Hills, California, flew to Orlando, Florida, from London.

He was being held with six others in three states, in an alleged plot to buy 1,140 U.S. Army missiles and ship them to Iran.

WORLD TRADE NEWS

Extra £46.9m trade finance available for UK-Iraqi deals

BY RICHARD JOHNS

ANOTHER £46.9m in Government-backed financing for trade with Iraq is available to UK companies as a result of a supplemental agreement signed by Morgan Grenfell and the Rafidain Bank.

The line of credit is for general purposes and virtually exhausts the £275m of finance supported by the Export Credits Guarantee Department under the UK-Iraqi trade protocol of October 1983 and arranged by a syndicate of banks led by Morgan Grenfell.

Rafidain, the state-owned commercial bank in Baghdad, is loan facility on behalf of the Iraqi Government which is said by Morgan Grenfell to be anxious to utilise fully the loan facility as soon as possible.

Despite a commercial debt estimated earlier this summer at \$10bn or more, and difficulties with repayments which has led to a substantial rescheduling of obligations with other trading partners, the bank claim to be unblemished so far, according to Morgan Grenfell.

"To date, all interest and principal payments have been made on time," Mr Peter Davies, the executive responsible, commented yesterday.

Monday's agreement is the 21st signed by Morgan Grenfell with Iraqi state organisations since July 1983 and the bank claim to have arranged the financing so far of more than \$500m-worth of business with Iraq.

Under the trade protocol—the

last major agreement signed last November with the Iraqi Ministry of Industry and Minerals—a \$71m line of credit facilitated the supply of turbines for Al Mussabih thermal power station by NEI Parsons. One of four buyer credits have financed the supply of engineering services and equipment for the development of the East Baghdad oil field being undertaken by Snamprogetti.

UK involvement in the Khark water supply scheme, the equipping of Al Ramad eye hospital and the building of a housing project.

Of the total sum covered by the trade agreement, £25m was set aside for pharmaceuticals. According to Morgan Grenfell, this has provided 57 contracts for 35 British companies. Through an earlier £25m general purpose facility, 40 contracts have been won by 30 UK suppliers.

Exports involved include Land Rovers, asphalt plant, diesel generators, water treatment plant and cranes.

Other banks in the syndicate are the Arab African International Bank, Arab Banking Corporation, Gulf International Bank and the National Westminster.

The Midland Bank was chosen in May to arrange a further £300m-worth of financing supported by the ECGD, made up of £250m medium-term credit for capital goods and machinery, and a £50m extended-term facility for pharmaceutical exports.

Nigeria halts sales to Swiss oil company

By William Dulforce in Geneva

THE NIGERIAN National Petroleum Company (NNPC) has stopped selling 150,000 barrels a day (b/d) of crude oil to Pan Ocean Oil Company since July 17, because the Swiss-owned company is suspected of selling to "non-recognised countries," a term applied to South Africa and Israel.

Mr Vittorio Fabbrì, chairman of Pan Ocean, said in Geneva that the charge was completely unfounded as the 150,000 b/d lifted by his company was being sold under contract to Shell International Trading Company (SITCO).

Mr Fabbrì said he believes the real reason for the action taken against his company was personal friction between Mr Festus Mbarinbo, the head of the NNPC, and Mr Tan David-West, Nigeria's Oil Minister.

Pan Ocean is the only company trading Nigerian oil which has been paying the official government prices of \$28.09 a barrel for Forcados crude and \$27.50 a barrel for Bonny Light. Mr Fabbrì said.

The NNPC apparently argued that Pan Ocean's willingness to pay the official prices, and also to pay interest, when its payments under the contract were delayed, was suspicious.

Mr Fabbrì said, but the Nigerians had failed to find evidence that any of the crude lifted by Pan Ocean had found its way to South Africa or Israel.

Under the contract, Pan Ocean started lifting 15,000 b/d of crude in October last year, building up its output to 150,000 b/d in May this year.

Ironically, Pan Ocean has since needed a telegram from NNPC, claiming \$1.744m in compensation under the contract for "underlifting" of crude oil since July 17, Mr Fabbrì said.

Pan Ocean also exports 7,000 b/d to 8,000 b/d of crude from the Ogarete field in Nigeria, in which it has a direct interest, but this has not been affected.

Our Foreign Staff adds: A spokesman for Shell confirmed that it had a contract to purchase 150,000 b/d from Pan Ocean, adding that "some of it is going to areas prohibited by Nigeria."

Anthony Moreton reports on changing ideas about the textiles and clothing accord

MFA set for a new and more liberal life

SIX MONTHS ago it would have been difficult, if not impossible, to find a low-cost textile producer among the developing countries making anything but the most abusive noises about the Multi-Fibre Arrangement (MFA), the world accord that governs an important part of international trade in textiles and clothing.

The almost universally-heard sentiment at that time was that the MFA, which runs out next year, was pernicious, had outlived its purpose and should be ended. Trade in textiles and clothing, like that in other goods, should be regulated solely by the rules of the General Agreement on Tariffs and Trade (GATT).

Times change. The phrase "end the MFA" has all but disappeared from the lexicon of the Far Easterners and Latin Americans. At last week's meeting of GATT's textile committee in Geneva which reviewed the MFA, all the talk was about "balanced compromise" and "a balanced compromise."

"We never said 'end the MFA' in 1980," one official maintained. "What we actually said was that we must return to GATT 'sometime'."

The EEC and the U.S. are as delighted at this change of emphasis as they are surprised.

The MFA was introduced in 1974 to allow Western industry to restrict imports in order to meet the competition from low-cost producers, and subsequently extended in 1978 and 1982. The EEC and U.S. want it extended further.

The EEC also wants it liberalised, making it easier for goods from India, South Korea, Indonesia and the rest to enter its market.

The U.S. does not know if it can get liberalisation of the MFA through Congress, so is sitting on the fence. President Ronald Reagan, bedevilled by a strong and influential protectionist textile lobby in Washington, wants liberalisation but may not succeed in getting it.

What neither the EEC nor the U.S. wants is to go back to unfettered free trade; not just yet, anyway. Suddenly, they have found their most implacable opponents agreeing with them.

Mr Antonio Vargas of the Philippines, one of the leaders of the important Association of Southeast Asian Nations (Asean) group, talked in Geneva of an "eventual return to the full application of the GATT provisions."

Mr Joun Yook-Sun, speaking for all the developing countries, called for a "movement towards a significant and substantial liberalisation."

The reason for this change of tack lies in a power struggle for leadership of the exporters. The realists, led by South Korea, Hong Kong and the Asean

countries, have wanted all along a "sensible" approach to the MFA. The hard-liners, led by India and Egypt, wanted it summarily ended next year.

The battle was not won until a meeting of the low-cost producers in Mexico City last April and the full significance only surfaced at Geneva. As recently

as June, Hong Kong, for instance, was saying for the record that it wanted an end to the MFA while tacitly agreeing that this was not feasible in 1986.

The irony is that the low-cost producers might well have made their concession at precisely the wrong moment.

Faced with a mounting import bill for textiles and clothing—up 25 per cent by volume in 1983 and 42 per cent in 1984—the U.S. has turned ugly.

Enormous pressure from the U.S. textile lobby has led to the Jenkins Bill which seeks greater protection for the home industry. The Jenkins Bill hand-wagon, is still rolling and has already gained the support of more than half the House of Representatives and half the Senate.

If a liberal trade-included Administration wants to stop this surge of protectionism, President Reagan will have to put pressure on individual Congressmen to get them to back off.

If the Bill is enacted it could smash the MFA and undermine the whole concept of GATT by giving the U.S. power to impose protectionism selectively.

The EEC also has problems.

Low-cost producers have lived with protectionism in the MFA and its predecessor for 23 years. Now that the end is in sight, they do not know what to do next. It is as if they had become institutionalised and half-afraid to face a future without it.

Now that the end is in sight they do not know what to do next. It is as if they had become institutionalised and half-afraid to face a future without it.

The interesting thing is that almost every producer is talking long, the sort of language the West prefers to hear. "What does it matter how long the next MFA is," said one official, "so long as it is the last one."

"The trouble," said another official, "is that the low-cost producers have lived with protectionism in the MFA and its predecessor for 23 years."

"Now that the end is in sight they do not know what to do next. It is as if they had become institutionalised and half-afraid to face a future without it."

It is abundantly clear that there will be another MFA. That it will be more liberal than the present one, that no one knows how long it will last and it is certain to be the final one.

No one knows what the U.S. will do: if the Americans take the wrong direction everything could be upset.

"Last time round," said the man from Hong Kong, "the EEC wore the black hat. This time, it's on America's head."

A novel situation for a President who came to fame as the good guy in Hollywood Westerns.

Hungary wins \$32m orders

BY LESLIE COLTJN IN BERLIN

HUNGARIAN industry has won foreign and domestic orders worth nearly \$32m (£23m) as a result of the country's joining the World Bank in mid-1982 when it became eligible to bid on the Bank's loan tenders.

The fall in Hungary's hard currency earnings has prompted the Government to urge companies to be more aggressive in submitting bids on World Bank tenders.

In the first five months of this year, Hungary had a hard currency trade deficit of \$190m compared with a trade surplus

in the same period last year.

Hungarian companies won \$15.7m in foreign orders and \$16m in contracts at home connected with World Bank tenders. During this period, however, they bid on World Bank projects worth \$355m.

The main Hungarian Communist newspaper Nepszabadsag said the trade outlook was not encouraging for the second half of the year.

Hard currency exports were likely to remain at last year's level while imports would continue to rise.

GM, Japanese in U.S. venture

BY CARLA RAPOPORT IN TOKYO

GENERAL MOTORS of the U.S. and Akebono Brake, the Japanese car components group, have agreed to establish a joint venture to make brakes and other components in the U.S.

The new company, which is to start production in 1987, will be primarily aimed at supplying Japanese car makers who are increasing their production facilities in the U.S., such as Mazda, Toyota and Mitsubishi.

Akebono yesterday declined to reveal the amount of investment or the new plant location. Japanese newspapers, however,

said the investment will be about \$28m (£23m).

Mr Y. Nobumoto, president of Akebono, said yesterday: "A joint venture in the U.S. is preferable to a wholly-owned subsidiary. Both companies will learn from each other and customer-oriented expansion of the potential base of business beyond that available to either company individually."

Akebono Brake, with sales of around ¥71.3bn a year, supplies all the Japanese car makers in Japan, as well as the Japan National Railway.

● Nippondenso, Japan's leading manufacturer of electronic equipment for cars, yesterday said it was hoping to expand its production capacity at present under construction in the U.S. in the light of the recent decision by Toyota to begin U.S. production by 1988.

The company is currently spending about ¥20bn to build a plant in Battle Creek, Michigan, to produce air conditioners and other electric appliances for cars.

This plant may be significantly expanded if Toyota decides to locate its U.S. facilities near by, it said.

Chiyoda consortium given Thai refinery contract

BY BOONSONG KTHANA IN BANGKOK

THE JAPANESE consortium led by Chiyoda has won the battle for the semi-state-owned Thai Oil Refinery expansion contract, the Thai Ministry of Energy said.

The consortium, consisting of Chiyoda, the single largest industrial projects.

The Thai company confirmed yesterday that a decision has been made to award the contract to the group which includes Chiyoda Chemical Engineering and Construction, Marubeni Corp, Mitsubishi Construction, and Nichimen Corp.

The deal, worth \$195m (£139m) was reached after only two months of negotiation when the Chiyoda consortium significantly outbid two other Japanese-dominated consortia in the tender opened last June.

The refinery contract is one of the major industrial contracts in Thailand secured by Chiyoda, a few months ago, another consortium led by Chiyoda won two of three main contracts to build a \$221m fertiliser complex on the eastern coast.

UK NEWS

Record number of Lloyd's members fail solvency test

BY ERIC SHORT

PROBLEMS of certain syndicates managed by the Richard Beckett Underwriting Agencies (RBUA) have been the main factor in a record number of members failing to pass this year's annual solvency test, at Lloyd's, the London insurance market.

Mr Ian Hay Davison, Lloyd's chief executive, yesterday announced that 517 members had failed to submit properly audited solvency certificates as required in order to enable them to continue underwriting. The aggregate shortfall involved amounts to some £35.5m.

Each year Lloyd's members have to show that they have sufficient wealth to cover the insurance liabilities of the syndicates to which they have given their names if they wish to continue as underwriting members of Lloyd's.

The deadline for compliance with the solvency test is May 31. Because of the problems with RBUA the council of Lloyd's extended the deadline for these members to July 31.

In spite of this extension 325 members with RBUA failed to meet the solvency requirements, involving a shortfall of £38.8m.

Lloyd's will be writing today to the 517 members giving them 28

days' notice to provide reasons why they should not be suspended from underwriting.

Mr Davison said that on past experience a large proportion of members failing the initial solvency tests subsequently provided the necessary resources. Last year 120 "names" were written to after failing to provide the certificate, but eventually only 39 were suspended.

Conditions this year are different. Members in the affected RBUA syndicates, which are facing insurance losses of £130m, are unhappy about their treatment.

Failure to produce a certificate does not mean that the member can not meet the necessary solvency requirements. It could mean that they choose not to do so as a protest or for other reasons.

Many members connected with RBUA have been vocal in demanding full disclosure of the affairs of the agency, the losses and the alleged misappropriations before putting up more capital.

Management of the syndicates which have stopped trading has passed to an independent agency financed by Lloyd's and headed by Sir Ian Morrow, who has given a warning that he intends to operate a more conservative accounting policy in calculating losses.

Second senior STC executive resigns

BY GUY DE JONQUIERES

ANOTHER SENIOR executive has left STC, the telecommunications and computer manufacturer whose chairman and chief executive, Sir Kenneth Corfield, resigned last Friday after mounting criticism of the company's performance.

He is Mr Duncan Lewis, formerly STC's director of business intelligence and planning. Mr Lewis was also a member of STC's executive committee and a director of ICL, the computer company which STC acquired for £211m last year.

Mr Lewis, who worked for the National Economic Development Organisation (NEDO) until three years ago, was a close associate of Sir Kenneth and a principal architect of an ambitious medium-term strategy for STC's future international expansion.

The STC management changes, which led to Sir Kenneth being replaced by Lord Keith of Castleacre, a non-executive director, make it much less likely that the company will go ahead with the strategy, which called for overseas acquisitions.

Some STC board members believe that the company is already over-stretched and that the recent deterioration in its profits and difficult conditions in world electronics and component markets make cash conservation the overriding near-term priority.

STC has already said that its results for the six months to June 30, to be issued next Friday, will show an attributable loss after extraordinary

charges, due to poorer performances by its components, telecommunications and submarine cable divisions.

The company is expected to take the opportunity to spell out the full impact of the recent problems in these businesses.

ICL fell from sixth to 10th place last year among the leading computer companies operating in Western Europe, according to a survey by the American magazine, Datamation.

ICL's computer revenues, measured in dollars, fell by 4.3 per cent to \$917m. The only other large company not to increase its revenues was Philips, the Dutch electrical and electronics group, the value of whose computer business fell 0.4 per cent to \$839.5m.

In local currency terms, ICL's revenues rose by 8.3 per cent. This was the smallest increase after NCR, IBM and Control Data, all of the U.S., which showed growth of 1 per cent, 5.9 per cent and 7 per cent, respectively.

IBM's total European computer sales last year remained far ahead of those of its competitors, at \$10.98bn. Its closest rival was Siemens, with computer revenues of \$2.09bn.

Italy's Olivetti rose from fourth place in 1983 to third place last year, with revenues of \$1.5bn, while France's Bull fell from third to sixth place, with revenues of \$1.44bn.

Reed sells off division

BY DAVID GOODHART

REED INTERNATIONAL, the publishing, paint and paper group, announced yesterday that it has reached agreement in principle for the sale of its UK building products division to members of the management backed by a number of financial institutions headed by Candover Investments.

The deal - which is expected to net Reed about £70m in cash - underlines the growing interest in management buy-outs in Britain during recent months. Assuming the agreement is finalised it will be the second biggest buy-out ever involving a wholly UK company. Last week Unilever announced the sale of the bulk of Mollison-Denny, its international timber products subsidiary, to the management for £80m.

The UK arm of the building products division had a turnover of £141m and trading profit of £5.9m in the year ending March 31 1985 and employs about 4,300 people. It

covers 12 companies predominantly in bathroom products and plastic products but also in double glazing, industrial lenses and domestic boilers. The best known and largest of the companies are Twyford and Walker Crossweller - both manufacture bathroom products.

Reed announced its intention to sell the whole group at the end of May and Mr Leslie Carpenter, then chief executive and now chairman, said the company would be disappointed if it received less than £103m - the estimated value of the capital employed. Capital employed in the UK division was £70.1m to the end of March 1985 so a sale price of £70m will fit the company's expectations.

Neither Reed or Candover Investments would reveal details of the deal which is part of a plan to shift Reed's interests increasingly into publishing, particularly electronic publishing.

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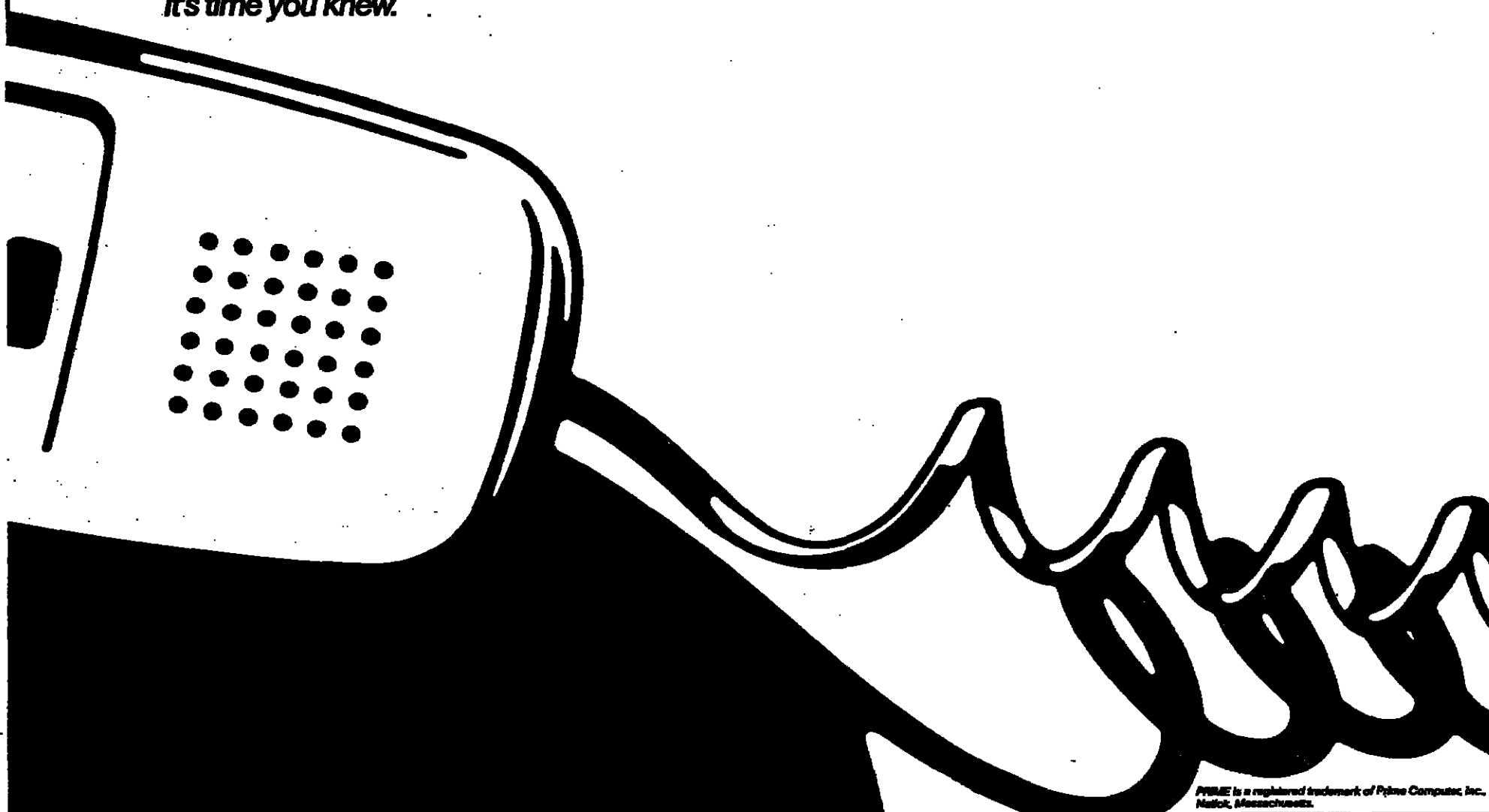
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UK NEWS

Barry Riley reports on problems which threaten a profession's renewed growth

Clouds appear on accountants' horizons

BRITAIN'S leading accountancy firms had a bumper year in 1984. Average fee income among the top 20 rose 20 per cent, according to a Financial Times survey.

Coopers and Lybrand, which has topped Peat Marwick Mitchell from the leading position in the league table, recorded an increase of almost 30 per cent to £34.2m, compared with Peat's below-average performance of a 17 per cent rise to £27.2m.

Price Waterhouse took third position from Deloitte Haskins and Sells. Had those two not called off their merger plan late last year they would have become by far the biggest firm in the UK.

The most striking advances further down the league were made by firms created by recent mergers. Clark Whitehill's 143 per cent increase in fee income took it to 13th position. Hodgson Harris, with a 74 per cent rise, was 17th on the list.

Firms are particularly busy scouting for new talent and trainees recruits to handle expansion into financial services and management consultancy. Shortages of staff have appeared at many levels. British accountants traditionally have relied mainly on audits and liquidation business, but the chief growth is now in other areas, such as management consultancy. The big firms are now targeting the public sector as a big growth area for consultancy and other services.

The somewhat surprising plan announced last year for a merger of the English Institute of Chartered Accountants and the public-sector body, the Chartered Institute of Public Finance and Accountancy, was an indication of how highly many chartered accountants rate the opportunities in the public sector. The initiative ran into opposition, but a merger remains a stated longer-term objective.

Corporate finance activity has also been booming, at all levels from venture capital and Business Expansion Scheme projects for small companies right up to the big flotations on the London Stock Exchange.

TOP TWENTY ACCOUNTANTS									
Firm	Fees* (£m) 1984	% change 83/84	Non audit fees (£m)	Partners	Prof. staff	Staff/partner ratio	Total prof. staff	Fees/partner (£000s)	Fees/total prof. staff (£000s)
Coopers & Lybrand	94.2**	29.9	na	248	2,925	11.8	3,173	378.8	32.1
Peat Marwick Mitchell	87.2**	17.4	41.0***	220	3,190	13.9	3,420	373.1	25.5
Price Waterhouse	84.5	23.4	45.4	243	2,451	10.1	2,694	348.4	31.5
Deloitte Haskins & Sells	82.2	17.8	40.9	257	2,720	10.2	2,987	307.4	27.5
Ernst & Whinney	70.0	25.0	na	220	2,650	12.1	2,870	315.2	24.4
Arthur Young	64**	18.5	35.2	193	2,081	11.8	2,274	331.6	28.1
Touche Ross	58.5	14.4	23.7	172	1,829	13.2	2,001	345.9	28.7
Thornhill Baker	49.0	8.9	26.0***	240	2,160	9.0	2,400	244.2	20.4
Arthur Andersen	47.1	14.9	22.4	107	1,304	12.2	1,411	440.2	33.4
KPMG Thomson McLintock	44.5	28.4	18.9	147	1,556	10.6	1,703	302.7	25.1
Spicer & Pegler	34.0	16.8	15.0	147	1,288	8.6	1,415	251.3	24.0
Ernst & Young	30.6	13.6	15.4	132	1,038	8.3	1,230	253.3	25.0
Clark Whitehill	20.9	143.0	na	190	938	4.9	1,129	110.0	18.5
Deardon Farrow	16.9	18.2	8.5***	92	579	6.3	671	183.7	25.2
Steyn Hayward	16.0	18.5	7.0	63	566	9.0	628	254.0	25.5
Neville Russell	15.8	12.1	na	72	536	7.4	608	219.4	28.0
Hodgson Harris	15.0	74.4	na	84	556	6.6	640	176.6	24.5
Moore Stephens	14.5	18.9	6.8	81	501	6.2	582	153.2	24.5
Robson Rhodes	14.0	15.7	na	69	569	8.1	629	222.9	22.3
Kidsons	13.3	10.6	na	63	482	7.6	545	211.1	24.4

* Not of recoverable expenses. ** Includes Chartered Islands. *** Estimate

Figures were not available from Pwarrill Kerr Forster

Meanwhile, the big accounting firms have more than enough tax work for all the skilled tax experts they can lay their hands on.

Amid the boom, however, two shadows are being cast across the profession's fortunes. The more pressing of those concerns the crisis over professional indemnity insurance.

The problem is not unique to accountants - it also affects other professions such as consulting engineers, for instance - but it has quite suddenly emerged as a serious worry for accountants after a series of heavy damage claims against big firms.

For instance, Arthur Young is being sued over Johnson Matthey Bankers, a former audit client, and the Government has also filed a large claim against Arthur Andersen in respect of the De Lorean collapse. The Irish practice of Ernst & Whinney faces action arising from the losses of its client the Insurance Corporation of Ireland.

On a smaller but still potentially

expensive scale, Touche Ross has become embroiled in the row between Caparo Industries and the former managers of Fidelity Radio which it bought last year.

So far, the possible liability of auditors in such cases has not been tested in the British courts, but the insurers have become alarmed by recent huge awards against firms of accountants in the U.S. and Australia.

Not only have premiums been rocketing, but more seriously, limits on cover have been reduced. One of the big firms says it was covered for more than \$200m on individual claims last year, but this year it cannot find cover at any price for more than \$250m overall, including a limit of \$125m on any one claim.

Since partners have unlimited liability, there is the disturbing possibility that not only might a firm be wiped out by a big award for damages but that the individual partners would be bankrupted and consequently, under professional

rules, would no longer be able to practice.

Meanwhile, small and medium-sized firms are upset that their own premium rates are being driven up, even though they are not exposed to the same kind of risks as the big firms.

A medium-sized firm reported that it had to pay 300 per cent more for professional indemnity insurance this year. But at least it was able to get the full £20m cover that it wanted. Overall, it is reckoned that anywhere between 0.8 per cent and 3 per cent of accountancy firms' fee incomes now go to pay for indemnity cover.

The second serious difficulty being faced by the profession concerns the growing tension between the top 10 or 12 big firms and the hundreds of small and medium-sized firms. That has culminated in a plan to set up a separate trade body, the Association of Practising Accountants, to represent the commercial interests of the smaller firms.

Traditionally, competition within the profession has been restrained. The medium-sized firms have operated within what they regarded as their own patch; and although they have had to recognise that a growing corporate client would eventually depart for the likes of Peat Marwick or Price Waterhouse, they have also assumed that the big firms would not try to poach smaller-scale business.

In recent years, and especially since restrictions on advertising and promotion were substantially relaxed last October, this gentlemen's agreement appears to have collapsed.

Medium-sized firms are alarmed to find that the big firms are setting up new local branches, and are bidding aggressively for audits all the way down to the £5,000 level. Previously, the big firms would not normally have regarded anything below about £50,000 as an economic proposition.

They are backing this marketing push with press and TV advertising

campaigns, floods of expensively produced brochures and literature, and only thinly disguised teams of salesmen. This is a game in which the smaller firms cannot possibly compete.

One response has been a renewed wave of mergers among the second tier of firms. Hodgson Impex, result of a three-way combination this year, is the largest of such newly-created firms, although Clark Whitehill has also been expanding fast, using the merger route.

But the senior partner of Finaries, Mr Chris Benbow, does not see mergers as a satisfactory solution for his kind of firm (which has fee income of around £7m). That is why he is promoting the new Association of Practising Accountants as a body that might help to give medium-sized firms the commercial clout they lack at present.

A group of eight firms, in all, is initially involved. A full prospectus and articles of association are being drawn up. But it remains to be seen what relationship the new association, if it gets off the ground at all, will have with the Institute of Chartered Accountants (ICA).

Last week it appeared that the ICA was hoping to keep the new body within its own framework. Its council is about to study a report by the Worsley working party on the institute's future structure and last week Mr Brian Jenkins, the institute's president, said the ideas being put forward by the medium-sized firms would be highly relevant to the new report.

One current issue that highlights the divergence of interest between large and small firms of accountants is the controversial government suggestion that compulsory audits might be dropped for small companies. At least one leading firm, Touche Ross, has come out in favour of making such audits voluntary. But there is considerable concern about the proposal among small firms who see a potentially serious threat to their bread-and-butter audit business.

Manchester stakes claim as hub for world air traffic

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ANGLO-US negotiators are sitting round the table in Washington this week in an effort to settle, among other matters, the future of a plan by American Airlines, one of the biggest U.S. airlines, to fly between Chicago and Manchester, from next spring.

The application is more significant for Manchester than perhaps for American Airlines. If the UK Government rejects the plan - which seems unlikely - American will look elsewhere on the European continent.

For the Manchester International Airport Authority it is a critical step forward in its own long-term plans to develop a wide range of services from the airport.

Mr G.H. Thompson, chief executive of the authority, said acceptance of American's plan was a critical test of the Government's policy outlined in its recent White Paper (policy document) on airports. This provided for increased competition on international air routes and gave Manchester's attractions greater emphasis in future bilateral air service discussions.

Manchester airport authority believes that its plans for expansion are justified because of its position in the heart of England, with more than 20m people and 60 per cent of the UK's manufacturing industry within 100 miles of the airport.

It has just completed a £20m scheme to extend the international departures lounge and arrivals hall, along with a new operations tower, and an £8m cargo facility is now being developed.

The airport now handles more than 6m passengers a year, and over 50,000 tonnes of freight. The passenger figure is expected to reach 9m by 1990, 12m by 1995, and 20m by the end of the century. The authority plans to spend an average of £20m a year over the next 10 years, to gear facilities to meet this growth.

This will include a second major passenger terminal on which work

is likely to start by 1988, to be ready in the early 1990s. By then, the authority is likely to have been privatised, under prospective legislation that will be introduced this autumn with the shares being owned largely, if not wholly by local authorities. Already, plans are being made for the share of the airport at present owned by the Greater Manchester Council to be allocated among other local authorities, as a result of the Government's recent legislation abolishing the metropolitan county councils, of which Greater Manchester Council is one.

Manchester's plan is to turn the airport into a "hub" for a wide range of domestic and international services, both long and short-haul.

Many airports are now becoming "hubs" - that is, they offer such good facilities for making connections with other airlines that many operators and passengers deliberately use them as transit points.

Manchester believes it can become a hub in its own right, providing convenient connections between long-haul and short-haul services. It is already busier than the airports of some European capital cities - Brussels, Dublin, Lisbon, Oslo, Vienna. It now wants to develop further, to compete with such major European hubs as Amsterdam, Zurich and Frankfurt.

To do this, the development of air services and facilities must go hand in hand. To this end, the authority is discussing with the Department of Transport a five-year plan of routes development.

The Government needs to know what Manchester is thinking, before it is committed, in the White Paper, to give greater emphasis to Manchester in future bilateral air negotiations.

This is especially so because the Government itself wants to see more "dual designation" - two UK airlines on specific long-haul routes - to increase competition, and Manchester believes that some of those routes should be allocated to itself.

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Proposal to lift share ownership

By Peter Riddell, Political Editor

AN INQUIRY into the future of the UK motor component industry is to be held by the all-party House of Commons trade and industry committee.

The document, titled "Wider Share Ownership" has been produced by a working party of merchant bankers, finance directors and journalists chaired by Mr Jeremy Hurd, the chairman of National Provident Institution and of a number of City of London companies.

The group has proposed further incentives to encourage workers to take a share in their companies' profits as well as a form of unit trust scheme for share ownership.

The main proposals are:
● to boost profit sharing. Pay received as a bonus should be taxed at a concessional rate, for example, 20 per cent, instead of 30 per cent, while companies which pay more than 5 per cent of their wage bill as such a bonus should get 10 per cent off their corporation tax bill.

● a minority, for example, 30 per cent, of the shares of monopoly utilities should be handed over to their customers. These shares would not be saleable but would carry dividends and voting rights. A proportion, say 10 per cent, of the utilities should also be owned by employees.

MPs to investigate outlook in motor components industry

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

INSTEAD, but some observers suggested this would be a devastating blow to the UK vehicle components sector.

In the event, the Government sanctioned the BL corporate plan - and the development of the new engine, but the Commons Committee apparently decided the time was ripe to dig deeper.

The latest investigation was sparked off by the concern shown by a number of MPs when the Government asked BL's Austin Rover subsidiary to think again about spending £250m to develop and produce the K-series engine, a replacement for the A-series unit used in the Metro.

Pressure was put on Austin Rover to buy an engine from Honda instead, but some observers suggested this would be a devastating blow to the UK vehicle components sector.

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duce a report and offer some recommendations for action.

More than 1,000 UK component and accessory manufacturers, representing well over £3bn of gross national product, are heavily dependent on the automotive sector.

They have suffered a savage decline in business during the last 15 years as vehicle output in the UK dropped steeply, from the peak 1.92m cars in 1972 to 800,000 last year.

The trade balance in automotive parts and accessories has remained positive, however, even though there has been a significant decline. Last year the UK had a £420m surplus on its component/accessories trade account compared with £822m in 1983.

Top earners increase headway under Tories

BY PETER RIDDELL, POLITICAL EDITOR

THE SALARIES and fees of the chairmen and senior directors of Britain's largest industrial companies have risen more rapidly than average pre-tax earnings since the Conservative Party came to power in 1979.

An analysis by the Department of Trade and Industry (DTI) of selected company accounts, published in a Parliamentary written answer, shows that the emoluments of the chairmen of the largest British industrial and commercial companies rose 76.3 per cent between 1979 and 1983 to £50,231.

Over the same period the emoluments of the highest paid director of these companies (where he is not the chairman) increased by 68 per cent.

Between 1979 and 1983 average earnings in the whole economy rose 62.7 per cent and the retail prices index increased by 49.8 per cent. Both the directors' and average earnings figures reflect the impact of ending the formal incomes policy in 1979.

Moreover, these figures consider-

ably understate the widening gap in earnings between workers on average pay and top company directors. The income tax cuts, particularly in the 1979 budget, have meant that the take-home pay for those on well above average earnings have risen much more rapidly than that of those on average pay.

The DTI survey of companies covered 562 industrial and commercial bodies in 1979 but only 393 in a yet to be completed survey for 1983. This is part of the usual DTI analysis of company accounts which is mainly used to provide figures of balance sheets and sources and uses of funds.

In a letter to Labour MP Mr Austin Mitchell, Mr Alex Fletcher, under-secretary for corporate and consumer affairs, says that the results are not inconsistent with other reported findings.

The DTI survey covers independent companies and company groups with capital employed of more than £21.8m and whose main activities are other than insurance, banking and finance.

Westland wins order

BY OUR AEROSPACE CORRESPONDENT

THE MINISTRY OF Defence has placed a £13m order with Westland, based in Yeovil, West England, for seven new Lynx helicopters.

This lifts the number of Lynx helicopters ordered this year to 12 from the company which survived a takeover bid from Bristol Rotocraft earlier this summer. Worldwide orders stand at 329.

The latest deal will help the company's work load over the next few months, while it awaits the detailed report on its operations being prepared by a team from accountants

Price Waterhouse. This is expected later this summer or in the autumn.

Until the report is received, Sir John Cuckney, who took over as chairman from Sir Basil Blackwell, and the board are not expected to take any decisions on the reorganisation of the company.

● Rascal Avionics has won a £3m order from the Civil Aviation Authority for the supply of radio navigation beacons for the UK air traffic control system, both to meet new operational requirements and to replace existing equipment.

Consumers 'want more labelling information'

By David Churchill

FOOD MANUFACTURERS and retailers were warned yesterday that consumers were increasingly prepared to switch brand loyalty in search of products containing more nutritional information on the label.

The warning came from the food policy research unit of Bradford University in a report on nutritional labelling. It follows the recent decision by the Ministry of Agriculture to press ahead with new regulations making it compulsory for certain foodstuffs to give basic nutritional information on the label.

The report, however, suggests that consumers are seeking even more information than must be disclosed.

The report suggests that consumers "will accordingly switch or strengthen their allegiance to those giving them greater opportunities to select a more informed way."

The implications of this approach are clear, the Bradford researchers say. "Those who do not respond to the demand for greater information at whatever level along the distribution chain will lose their share of a lucrative and increasingly competitive market."

According to the research carried out for the report, there is a marked variation in consumer attitudes towards retailers and manufacturers over nutritional labelling. Supermarkets were seen as the most trustworthy source of helpful and unbiased information. Food manufacturers, by contrast, were viewed as self-interested and concerned only with selling more of their own products.

The Government was suspected by consumers of trying to influence people's eating habits. "Who is Shaping the Nutritional Label", published by Food Policy Research, Bradford University, Bradford, BD1 1DP, price £16.50.

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SHOP STEWARDS and managers at Shell's Carrington chemicals complex, near Manchester, sat down together last month to sign a document and to have the event captured on photograph.

The expressions on their faces—ranging from controlled smiles through steely countenances to bemused looks on the faces of the union representatives—betrayed conflicting emotions.

That is hardly surprising. What the document effectively sanctioned was the shedding of 700 jobs, and the sweeping away of literally every artificial labour demarcation, but also the saving from closure of Shell's largest chemicals plant, at least for the foreseeable future. The ethylene, ethylene oxide and continuous derivative plants are being shut by polystyrene, polystyrene, polypropylene and the batch derivatives plant will continue in operation.

The changes in working practices are not in themselves revolutionary. They are not dissimilar from those at the company's Mossburn site in Fife and at its St Fergus gas separation plant, and they bear a close resemblance to changes in methods introduced at Shell's Canadian chemicals complex at Sarnia, Ontario several years ago.

What is striking about the deal, however, is that flexibility far beyond the more common limited flexibility within craft groups has been brought into a relatively old British manufacturing site with a deep-rooted, tough and sophisticated, though non-militant union culture.

The structure of 14 craft trade groups like welder, plumber and lagger has been completely swept away. Three former grading structures for white collar staff, craftsmen and the Transport and General Workers' Union have been fused into one. All non-management personnel, including clerical and catering staff are now classed as "technician" on a nine-grade pay system and three of the site's seven unions have had their bargaining rights removed.

Just two principal grades of technician as well as a team of dedicated maintenance men to handle the more complicated maintenance tasks (like stripping the more complex pumps and servicing computer equipment) will run Carrington's process plant. Most plant technicians will work on a new six-month cycle—two months on days, four months on shift.

Though the workforce at Carrington has always operated much more flexibly than their union agreements supposedly allowed, no longer will a person who was once labelled an electrician have to wait for a



The Carrington chemicals complex now operated with an unusual degree of worker flexibility

A working culture is turned on its head

Nick Garnett explains how a Shell plant was saved from closure

rigger to set up the climbing frame before the electrician could change a lamp. As a result of redesigning jobs and extra training the company is expecting to have every plant technician sufficiently skilled to handle about 80 per cent of traditional craftsmen's work across all traditional trades.

The very real threat that the Carrington plant would shut completely with the loss of all its 1,200 jobs was the ultimate catalyst for the changes. What will be the eventual loss of over half of those jobs has been an unpleasant pill to swallow. "Those who are losing their jobs are frightened to death of the deal," says George Hollowell, the TGWU's deputy convenor.

Carrington contributed more than a half of Shell Chemical UK's £200m losses between 1980 and 1984 and has been continuously threatened by overcapacity in the chemicals market, the coming on stream this year of Mossburn's ethylene plant (and a history of inadequate investment, say the unions; denied by management).

The new deal, called the Carrington Technicians' Agreement, rington though personnel mana-

ger Tony Shaw and personnel advisor James Dorrain who did much of the negotiating for management are very confident of its success. "We'll manage flexibility in future," says Shaw. "We are determined not to slip back into allowing people simply to do what they feel comfortable doing. It's one bargain, one code of working and everybody does everything which their skills and knowledge allow them to do safely. Cultural and attitude changes are required. This kind of exercise requires clear vision on the part of management about the kind of working community you want to create."

One or two union officials seem less convinced. "I've got many reservations. It will not go as smoothly as the company's glossy booklets make out," says Ian Brown, the site's craft convenor who is standing in this month's electrical and plumbing trades union executive elections. As with many of these mini-revolutions in plant cultures much of the initial block to change at Carrington was rooted in management's own structural constipation. Ian Thornley, Carrington's plant manager who has

been overwhelmingly accepted at mass meetings, however, and that was as much to do with the agreement's packaging as the axe that hung over everyone. The yes vote was also facilitated by the fact that each individual who voted did not then know whether he would lose his job.

The package included a skillful communications exercise, a strong alternative job search programme for those who will leave the company, linked to an extension of the no-compulsory redundancy arrangements to April next year. It also incorporates very substantial retraining and big pay rises for many remaining on the site, although the reshaping of jobs makes comparisons of new and old rates meaningless.

A single site disturbance allowance varying from £552 to £1,650 a year replaces an array of one-off payments. These included 0.52p per shift for working with a crane, 0.35p for operating 75 to 100 feet above ground and £20 for being called in when off-duty.

The new working systems have still to be tested at Carrington though personnel mana-

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fought very hard for its survival, says that even in the late 1970s, the site's then hierarchical management organisation was geared to growth in an industry that was shrinking.

Carrington had a host of managing compartments like engineering maintenance, project and technical services departments and special administrative services, all of which have been hacked away in the past few years. "We've simplified the structure to the point where you realise you can take the next step and look at the grass roots organisation," he says. "We are trying to get a homogeneous culture because we believe that that is the only kind of culture that will meet business needs."

At the sharp end of the business, the crucial changes revolved around the 24 teams to run the four operating plants under 24 managers. The company says the managers will be assessed on the way they manage attitudes and the agreement.

Apart from the teams of dedicated and specialised maintenance men, plant technicians will move back and forth between two months day working (where maintenance work is done) and four months shift working where actual plant operation is more in the ascendancy. The existing four shift system is being switched to six.

The unions are counting heavily on the success of the newly-created so-called "job redevelopment unit." This is being managed and advice, counselling and job searching jointly provided by shop stewards and managers who have been trained for the task at ICI Fibres in Harrogate. A special booklet selling the skills of Carrington's workforce has been published for potential employers and Shell will pay relocation expenses where necessary. "If they cannot deliver on this it will have been shown to have just been a cosmetic exercise," says Brown.

Though the unions had no negotiating role in the agreement they eventually signed, the company appears to have taken care in handling the issue and trying to cope with its personal ramifications in a high unemployment area. Some £15m of new investment is being put in during the next two years.

Carrington still has to compete in a crowded market made even more claustrophobic by new Middle East chemical processing plants like those of Saudi Arabia. Nevertheless local management now seems much more confident. "We believe we have got to a position where the site can survive and will survive," says Thornley.

British Airways

'The only show in town'

David Brindle talks to the UK airline's director of human resources



Nick Georgiades: steel beneath the theory

THE STORY goes that when Nick Georgiades was being interviewed for the post of British Airways' personnel director, he confessed to Colin Marshall, the airline's chief executive: "I have to tell you I know absolutely nothing about industrial relations."

Marshall is said to have replied: "Don't worry about it. Nobody knows everything." Georgiades got the job.

The anecdote illustrates BA's new-style approach to managing its 37,000 employees. Georgiades, a 44-year-old psychologist, has never previously held a post in industry or commerce. At BA, he is known as director, not of personnel, but of "human resources."

Asked why he chose to make the leap from academia and consultancy, Georgiades says: "Because this is the only show in town: because Colin Marshall is chief executive and because what he believes in is what I have been preaching over the last 20 years without ever finding anybody putting it into practice."

This creed was first made manifest in BA's staff training programme (see this page, April 24 1985). Instigated by Marshall and known as "Putting People First" the programme laid stress on personal development and motivation as the key to improving the airline's image and performance.

All staff, both in customer-contact and backroom jobs, have completed two-day Putting People First seminars; some have gone on to involve themselves in "Customer First Teams" investigating ways in which services can be improved.

Georgiades, who took up his post earlier this year, is now building on what Marshall began. The spotlight has been turned on BA's 1,200 or so managerial staff, who are undergoing a fresh training programme (called, inevitably, "Managing People First") and will soon be appraised and paid according to performance.

"We'll be telling them what we want them to do, how well they are doing it, and then pay them for it," says Georgiades. "The revolutionary thing is that we are not going to pay them for the 'what' of their performance, but for the 'how'."

managerial ethos shaped and still influenced by two outside cultures: the military, particularly the RAF, from which many personnel came in the post-war period; and the Civil Service.

"Put those two together and you had an organisation that believed its job was simply to get an aircraft into the air on time and to get it down again on time. Things have changed, but this is still a challenge of a kind rarely offered to a director of personnel in this country."

The challenge is being met, firstly, through the nine-month management development programme, just under way. Every manager will attend a five-day residential course, structured on three "management issues"—clarity, feedback and teamwork—and three "leadership issues"—trust, energy and commitment.

Following this will be implementation of a comprehensive appraisal system, currently being tested, which will assess the performance of each supervisor or manager according to the criteria set down in the training programmes.

The third stage will be appraisal-related pay, distributed as an annual bonus. Quite how hard cash will be geared to the "how" of performance, rather than any quantifiable "what," remains to be seen. However, the aim is to have the scheme finalised by next year.

In the meantime, and more mundanely, Georgiades faces what could turn out to be a baptism of fire in his first round of pay negotiations this autumn.

A two-year agreement, covering all BA employees, comes to an end at the turn of the year. Although profit-sharing has added a bonus worth some 6.5 per cent of salary to this year's 5 per cent rise, the unions are certain to be looking to drive a hard bargain in the run-up to the airline's privatisation.

Will it, then, prove to be a rude awakening for the psychologist and his strategies which erode collectivist thinking by empowering the individual to take the initiative at the workplace, to "invent the rule book" for the job?

Georgiades says: "When people are confronted with the stark realities, they are less interested in the collective than they are in their jobs. There is, it would appear, just a hint of steel beneath all that theory."

Georgiades' view, a



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TECHNOLOGY

Scramble to develop a clean-burning car engine

John Griffiths on the latest efforts to reduce exhaust pollution

EUROPE's car makers are now scrambling to develop engines that will meet strict new EEC exhaust pollution standards.

The first of these, for cars of over two litres, comes into effect in 1985 and for cars of this size manufacturers are required to use three-way exhaust catalysts to mop up emissions of three main pollutants, nitrogen oxides, hydrocarbons and carbon monoxide.

For smaller cars, for which the standards apply from 1990-1991, most manufacturers believe there is a better alternative to the catalyst, the "lean-burn" engine.

But the big car makers are having to struggle to push lean burn technology to the limits in order to meet the standards required. Now, however, a small research company believes it may have found an answer.

The principle of lean burn engines is that they reduce emissions by burning a fuel mixture containing a much higher proportion of air to vapourised fuel than in conventional engines, say 22 parts of air to one of fuel instead of the usual ratio of 14.5 to one. It may also be necessary to add a cheap single oxidation catalyst to remove hydrocarbons.

The advantages of lean burn engines over conventional engines fitted with three-way cata-

lysts are that they would use considerably less fuel and should cost less to produce.

Substantial progress has already been made. Ford, for example, has engines that burn a fuel mixture of 18:1 and by 1987 hopes to reach mixtures of between 20 and 22 to one.

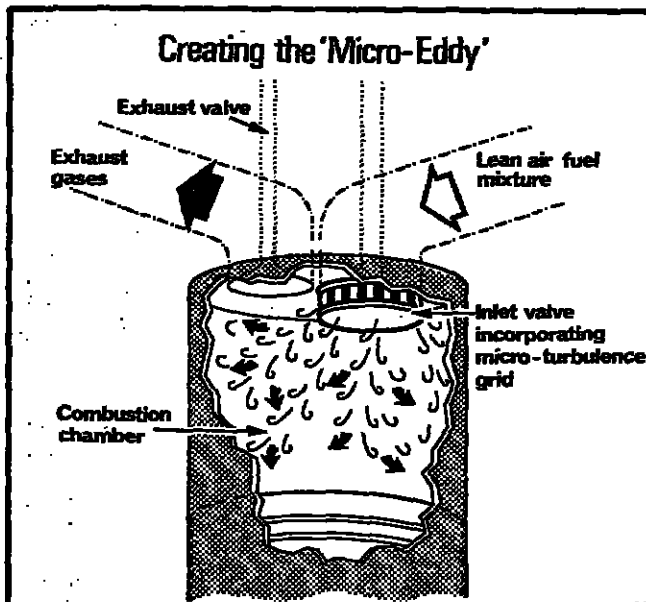
So far, however, lean burn engine development has concentrated on designing the cylinder head so that it swirls the fuel mixture to promote full combustion of very lean mixtures. In other words, the mixture entering the combustion chamber is made to rotate rapidly, so that when it is ignited, it burns quickly, offsetting the slower burn time that would occur with a very lean mixture as the combustion flame seeks out fewer fuel droplets.

However, there are problems with the "swirl" approach. But now Epicaam of Cambridge believes it has overcome them.

Its solution is to install a turbulence grid (see diagram). This is mounted on the upper surface of the inlet valve, creating high-speed micro-turbulence in the mixture as it enters the combustion chamber. This eliminates problems caused by large turbulent eddies involved in both the "swirl" approach to lean burn engines and, to a lesser extent, in conventional engines, says Mr Tony Dye, managing director of Epicaam.

He identifies three problems with the swirl approach:

- Large eddies in the air-fuel mixture entering the chamber make initial ignition uncertain.
- The ignited mixture has a "scrubbing" effect against the combustion chamber, leading to increased heat loss.



● The ignited fuel mixture has a tendency to extinguish itself when it approaches the cylinder wall during swirling.

Each of these can suppress or delay combustion and lead to wide variations in the efficiency of each combustion cycle, as well as increase the emission of hydrocarbons. The problems exist in conventional engines and extra-lean mixtures only exacerbate them.

Many years' research into variations in cycle efficiency has formed the basis of Epicaam's approach to combustion. The severity of problems created by cycle efficiency variations has not, Mr Dye says, been appreciated by manufacturers.

His company has now developed equipment to measure the variations which is capable of making 300,000 pressure records per second of the combustion chamber.

Its cyclic efficiency analysis shows how large the variations can be, particularly at part throttle. The combustion flame, when trapped by large turbulent eddies, frequently extinguishes up to a one millisecond delay at 2,500 rpm. In that time the crank angle can move through 55 degrees, with the result that combustion is only fully effective when the piston is on its downstroke, way past top dead centre, where compression is at a maximum.

The analysis shows combustion pressures vary dramatically — from between 500 and 200 pounds per sq inch.

Says Mr Dye, by generating many "micro-eddies" extremely lean mixtures can be burned with hardly any variation in the efficiency of each combustion cycle.

Development of the grid has thrown up a number of problems, however.

Not least was the fact that the design of early grids impeded the flow of mixture so much that 40 per cent power loss was experienced on a wide-open throttle. Even so, the test engines showed no more cycle efficiency variations with a 20:1 air/fuel ratio than a conventional engine showed at 14.5:1, while fuel consumption improved by 15 per cent.

More recently, test-bed engines have displayed considerable low-speed torque improvements, no loss of maximum power, and fuel economy gains of between 9 and 15 per cent depending on throttle opening.

More significantly, emissions of hydrocarbons and nitrogen oxides were very close to the new EEC standards. Further development, says Mr Dye, will bring them within reach.

The mainstream approach to lean-burn uses three types of swirl promotion within the combustion chamber itself: a swirl-inducing fence in the cylinder head near the inlet port; "squish," in which the combustion chamber area is smaller than that of the piston crown; and specialised shaping of the cylinder head.

Tony Dye does not believe that Epicaam's approach is the

only solution. But he says: "The industry really has not yet taken on board the cyclic variation lessons. When you look at what is actually happening inside existing engines, considering that cars are sold as high technology products, it really is appallingly bad."

The problem with innovative approaches by small concerns funded on a shoestring is the scepticism they attract.

How likely is it that companies like Ford and Volkswagen whose research into lean burn technology is eating up hundreds of millions of dollars a year, would miss such an approach?

The manner in which Mr Dye and Epicaam have approached the research, and the honours for undertaking it, do, however, appear serious. Mr Dye's first paper on combustion cycle efficiency variations was presented at a Society of Automotive Engineers conference in the 1970s, more have been presented since.

Why then, does it seem that it is being passed over by the big manufacturers? In fact, says Mr Dye, Epicaam is talking to at least two manufacturers about its turbulence grid, which has been patented, and he is not entirely pessimistic about something emerging.

Lean burn is a complex area of investigation and one where manufacturers, not surprisingly, are reluctant to pinpoint the state of their progress. However, the problems of combustion cycle variation are thought to be increasingly preoccupying Ford — although whether its approach to solving them is similar to Epicaam's is unlikely to emerge for some time.

Nasa offers \$25m for materials research

THE U.S. National Aeronautics and Space Administration is to provide up to \$25m over five years for work on new techniques in space science and manufacturing.

Nasa officials are considering 21 applications for the cash from universities and other research bodies. The federal agency is due to designate within the next few weeks between three and six of the organisations as advanced space institutes which will work in areas such as the manufacture of crystals or alloys in weightless conditions in space.

Under the Nasa plan, the institutes will receive funding from companies equal to the cash provided by the government.

The space agency hopes that by setting up the centres, engineers and scientists will again experience in many fundamental areas of space activities by the time the U.S. manned space station enters orbit in the mid-1990s.

Under the plan, the institutes will receive funding from companies equal to the cash provided by the government.

The space station, due to be built with the help of other western nations at a cost of about \$12bn, will provide laboratories and workshops for a crew of about eight people.

Activities will include examination of how the human body reacts to weightlessness, low-gravity materials processing (to make stronger or lighter alloys for instance) and investigation of the Earth's surface with high-resolution cameras.

According to Nasa officials, much basic work needs to be done in ground-based laboratories before studies proceed in space. For instance, researchers may want to discover in Earth workshops more details about the molecular structure of, say, iron alloys before they attempt to modify it under zero gravity by techniques such as the introduction of new elements.

The Battelle Institute in Columbus, Ohio, is one of the organisations hoping to be chosen by Nasa as one of the space institutes. If chosen, Battelle would receive a \$100,000 grant from the State of Ohio.

Also supporting Battelle's proposal are 10 companies. The institute says it would concentrate on research to support the manufacturing in space of items such as electronic materials, alloys, glasses, ceramics, polymers.

IMI

for building products, heat exchange, drink dispensers, fluid power, special-purpose valves, general engineering, refined and wrought metals. Mill plc, Birmingham, England

Cancer: an answer may lie in the soil

A JAPANESE pharmaceutical company has high hopes of using an antibiotic substance collected from soil as an anti-cancer agent.

The substance, called chromomycin, was obtained from a field near Osaka by a research team at Fujisawa Pharmaceutical.

Ten mice with malignant cancer cells lived longer when injected with the chemical, says the company. The substance is highly soluble in water and may act against cancer cells in some way by circulating in the blood stream.

Fujisawa plans further tests with animals and a series of clinical trials as soon as possible.

New type of artificial slate

THE LONDON Chemical Company of Rickmansworth, Hertfordshire, is selling a new type of mass-produced slate which, the company claims, matches the appearance of natural slate.

According to the company, the new product, made from a blend of resins, quartz and fast-colour pigments, is virtually indistinguishable from the natural variety. The slates are made by Anall Resins of March, Cambridge-shire.

Electronic aid for the aged

AN ORGANISATION in Exeter is using a novel set of computer software to arrange places for elderly people in retirement homes.

The British Retirement Homes Register (tel 0392 76056) aims to match the needs of people wishing to find a home with the available vacant accommodation. The register keeps a list on its computer of details of nursing homes.



Research groups seek MPs' backing

BRITISH MPs are to be invited to research centres around the country in an effort to inform them about the innovation process.

The invitations are from Innovation for Industry, a body set up by 45 research centres which aims to increase the awareness of public figures of technology developments.

"Most MPs are incredibly ignorant about research and development," said Dr Alan Rudge, managing director of ERA Technology, a contract-research company in Leather-

head, and chairman of Innovation for Industry.

"They have an image of innovation as a person looking like a mad professor suddenly having a brilliant idea, when in reality R and D is a professional, highly disciplined activity."

Innovation in Industry is backed by independent contract-research organisations which have put up £100,000 to fund the campaign.

The chief goal is to persuade the Government to formulate a

strategy on industrial R and D, support for which, said Dr Rudge, is essential "if Britain is to have an industrial future."

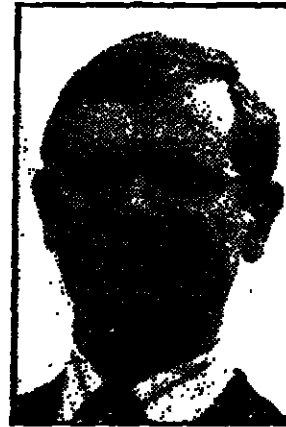
Dr Rudge said that while Government and industry funds for research were being cut back because of financial pressures, Britain's industrial competitors such as France, Japan and the U.S. were increasing the cash they earmarked for innovation.

According to the latest survey on research spending by the Department of Trade and Industry, industrial research

and development outlays in Britain in 1983 totalled \$4.2bn in 1983 — a drop in real terms from the figure in 1981.

According to Dr Rudge, ministers are expecting too much from universities in increasing their links with industry, for instance through technology transfer centres.

Due to the decline in UK support of research and development, more of the activities of the professional research centres in Britain would be focused on work for overseas companies, says Dr Rudge.



Dr Rudge: Plea for cash

"THERE ARE THREE ESSENTIAL QUALITIES THAT MAKE A JAGUAR A JAGUAR"

Neil Johnson, Director Sales and Marketing, Jaguar Cars Limited.

"Sir William Lyons built the legend of Jaguar on what might well be called three pillars of marketing wisdom.

The first was engineering excellence, the second, style with sporting elegance, and the third, value for money.

As qualities essential to what makes a Jaguar a Jaguar, they are as valid today as they were in 1935.

In fact, they very neatly sum up our current marketing philosophy of ensuring quality and value wherever Jaguar is concerned.

Not unnaturally, this single minded policy has contributed greatly to Jaguar's success.

It has been applied right across the board and involves everybody connected with Jaguar cars.

From those who design, build and quality assure the cars, through to the people who sell and maintain them.

It can be seen from the fact that we are insisting on specialist dealers, dedicated to nothing else but the Jaguar marque.

We measure and develop their professionalism across all aspects of their business. From showroom, to used car display. From service department, to parts store.

We think that it's the only way of ensuring that our customers get the same excellence in the attention from their Jaguar dealer as they do from a Jaguar itself.

Our determined drive towards assuring quality in all

aspects of our business is also reflected in worldwide demand for Jaguar cars.

A demand that encompasses the entire range, from the Jaguar XJ6 3.4 Saloon, to the Jaguar XJ-S HE.

One consequence of significant importance to our customers is that our success is now being reflected in higher residual values for all used Jaguar cars.

Our prime responsibility is to ensure that the success of Jaguar continues unabated.

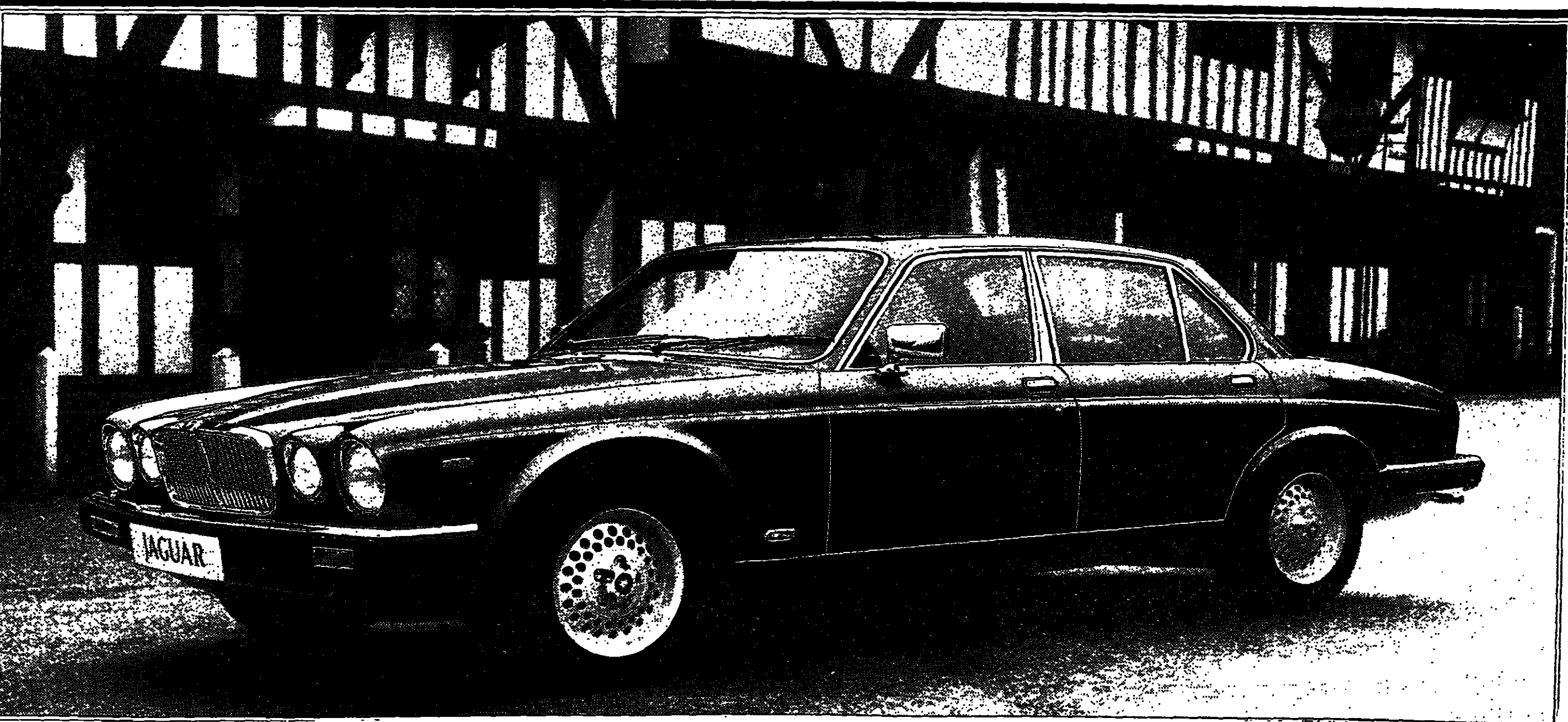
We must make sure that any Jaguar customer,

anywhere in the world, takes delivery of a car that meets his every expectation.

So that, from the very first moment he begins to relax in the quiet ambience of figured wood and leather, he begins anew to appreciate Jaguar's engineering excellence, style, sporting elegance and value for money.

After all, it makes commercial sense to take heed of the wishes of customers, and the experience of the company's legendary founder."

JAGUAR The legend grows



Television/Godfrey Hodgson

Higglety Pigglety Pop!/Glynnebourne

Looney tunes and the First Amendment

There was talk of the BBC showing *All the President's Men* in the hole left by the censorship of the controversial documentary *At the Edge of the Union*. The gesture would have been appropriate. The film's romanticised version of the part played by investigative journalism in the downfall of President Nixon should be taken with a pinch of salt.

Yet the U.S. Constitution does guarantee freedom of speech, to journalists as to others. "Congress shall make no law," says the first clause of the American Bill of Rights, "abridging the freedom of speech, or of the press." The Founding Fathers—who included Jefferson, James Madison and Benjamin Franklin—believed that a free press was an absolute necessary safeguard to the liberties of their new Republic. The climate with regard to the proper rights and responsibilities of journalism has remained profoundly different in the two countries ever since.

Journalists in the United States concede rights to journalism that even journalists in Britain do not always ask for.

It is interesting that Sir William Rees-Mogg, the only journalist on the BBC's Board of Governors, was in favour of the film, in breach of practice, then of not transmitting it; the same Sir William, as editor of the *Times*, strongly criticised the American press for its Watergate investigations.

The fundamental cause of this week's disaster for the BBC lies in a cultural clash between those in the BBC (and not other journalists in television and some, though not all, in newspapers) who believe that the freedom of journalism has such value to society that it must be protected; and those to whom other things—indeed, some seem to believe, everything else—come first. The Home Secretary's letter to the Chairman of the BBC governors may be the most naked censorship of the BBC since the

General Strike; it has certainly done catastrophic harm both to the BBC's internal morale—already frayed by the licence fee decision—and to its reputation around the world. The reasons he gave for it are even more alarming for those who value the BBC's independence.

Mr Brittan makes four points specifically. First, fairness is irrelevant; it doesn't matter how fair the programme is, he is still against it, and he doesn't need to see it, only to be vaguely aware of the area it deals with, to feel justified in demanding its suppression. Second, he is unconcerned whether the film does or does not help the IRA to recruit support. Odd: the reason for denying terrorists the "oxygen of publicity," one would have thought, was to deny them support. Not, apparently, for the Home Secretary.

'Any argument would do to stop the BBC showing the film'

He wanted the film banned because, three, it might raise the morale of the IRA, which was apparently unconcerned by the danger of its raising the equal and opposite morale of the IRA's Unionist enemies as represented by Mr Gregory Campbell. And, four, the film might alarm the populace, or perhaps frighten the horses. Little serious journalism in a frightening world can pass that test.

Almost any argument, it seems, would do to stop the BBC putting out the film. The least one can say is that Mr Brittan's letter is a graphic reminder of the lack of any First Amendment tradition with a presumption against censorship in this country.

The lack of such a tradition in Britain is the underlying cause of the disaster that now

threatens the BBC. But there have been plenty of intermediate causes. In fact, Mr Brittan's letter, like the executive's, is, as the almost impersonal culmination of a tragedy which half a dozen strands of causation have been weaving for 20 years. Here are some of them:

● The gap that opened up between the culture of current affairs and politicians. Television news and current affairs journalists have mostly been recruited as graduates to a large extent Oxbridge graduates. They saw television, not only as a relatively well-paid and interesting career, but also as a high professional calling with ideals, rights and responsibilities at least as serious and important as those, for example, of lawyers, from whom the present Cabinet is so largely recruited and whomein training inclines them to look to the protection of private interests and of the state, not to the amelioration of society. In this sense, not in the sense that any great proportion of them ever had much sympathy for Marxist ideas, television journalists have been predominantly aligned with the Liberal Left. Carry the lamp to the back of the cave, let the people make up their own minds. Those were the slogans and the shibboleths of the current affairs culture.

● Politicians resented the arrogance of journalists' pretensions as much as their manner. They were, however, aware of television's power, and they were afraid of what it could do to them. While the Labour Party was highly suspicious of the BBC, and one of the first confrontations came over a BBC film that was disrespectful to the Labour Party (Y. P. 1971), the Tories hated the BBC even more bitterly. They saw it as the very citadel of a sub-culture that was ideologically opposed to them, and moreover unimpressed by elected politicians, even when they were Tories.

● Inflation humbled the Corporation's pride. As long as the BBC could live within a licence

fee income voted by Parliament at long intervals, it could afford to think of itself as independent. As soon as inflation meant that it had to go to Parliament at frequent intervals, cap in hand, the BBC was at the mercy of the politicians, and they were swift to exact their revenge.

● It has been a long time since the BBC was run by anyone who even approximated to the stereotype of the liberal journalistic culture described above. Sir Michael Swann and Sir Ian Trethowan were known for their Conservative sympathies, and Mr Alasdair Milne is scarcely regarded within the BBC as a dangerous radical. But the issue has moved on. To the breed of Conservatives, the BBC is offensive not merely because it is disrespectful or suspected of Left-wing views. It is suspect also precisely because it is a public corporation.

'The BBC is at the mercy of politicians who want revenge'

The BBC, after all, faces the Peacock Inquiry because the Government feels that its present status and financing arrangements need scrutiny. If it is assumed that British Telecom, British Gas, British Airways will "work better" in private hands, why not, then, kill several birds with one stone, and privatise the BBC? That might upset the offending journalistic culture, save public money, and perhaps incidentally offer profitable tit-bits to reward faithful allies in the media.

● Looney tunes! President Reagan did nothing to exact the "retribution" he had promised on terrorists like those who hijacked a TWA plane with Americans on board. But he did talk most notably in his speech to the American Bar Association, he insisted that terrorism was being organised by "looney

tunes" (an approximate rendering of the nursery flavour of the phrase in English English would be "loopy") from Cuba, Nicaragua, Libya, North Korea and Iran—a proposition neither Martin McGuinness nor Greg Campbell would take very seriously.

Not to be outdone, Mrs Thatcher, in her speech to the American Bar Association, made her remark about the "oxygen of publicity," a phrase which might apply to coverage by ABC, CBS and NBC news of the Beirut hijack, but which hardly applies to Martin McGuinness, an elected member of the Northern Ireland legislature, even if he is, as the *Sunday Times* says (Interestingly no British Government source is willing to confirm), the chief of staff of the IRA in Derry or in the province as a whole.

Mrs Thatcher's implacable hostility to the IRA is understandable after the death of Airey Neave and the Brighton bomb. It is shared by but about a quarter of a million of the British population, and it would have been deepened by the experience of watching the irrational hatreds that lie at the heart of the Union.

The interweaving of the chains of causation sketched above suggest that the banning of the film, with the appalling damage it has done to the BBC, had little to do with Northern Ireland. It is the fruit of a long and on the whole unworthy quarrel.

Soloists for Britten premiere

The soloists who will perform the premiere of Benjamin Britten's last work, *Praise for Great Men*, which is being performed as part of the Third Rostropovich Festival at Snape Maltings, Aldeburgh on Sunday August 11, will be Heather Harper, Marie McLaughlin, Philip Langridge and Richard Jackson.

The Philharmonia Orchestra and Chorus will be conducted by Mstislav Rostropovich.



Lion eats Baby in the latest Knussen/Sendak opera

Oliver Knussen's companion piece for his successful Sendak-based one-act *Where the Wild Things Are* was premiered in complete on last autumn's Glyndebourne Tour. Whether that performance or last Monday's, staged at the end of the Summer Festival, will count as the official premiere is something over which future operatic lexicographers will cheerfully dispute. In the event the second premiere, which started 20 minutes late and was audibly still being rehearsed as the audience assembled, also appeared to be incomplete to judge from the programme synopsis: a missing interlude caused one of rather too many hiatuses on stage that characterised the evening's proceedings.

Even in near-complete form, *Higglety* is a difficult piece with which to get to grips. The story of the Sealymen Jennie's quest for worldly experience and then immortality in the Mother Goose World Theatre plainly meant much to Maurice Sendak, the adoring owner of the late terrier in question, but the inconsequentiality of the narrative, acceptable in picture-book form, transfers uneasily to the theatre. Knussen's pacing is too even and the actual plotting of event oddly unclear: when precisely does Jennie depart for the Big Dog-Basket in the Sky?

Yet the quietly elegiac mood that informs the work is undeniably affecting to adults who are sentimental about animals—thus ensuring a certain measure of success in this country. If not to children, who might well grow impatient with it.

The music heard for the first time included a delightful folk-like song to piano accompaniment for Jennie, and the complete Night Scene—a fine inspiration for all its affectionate indebtedness to Ravel and Britten—though over-amplification of the Ash Tree's voices on this occasion robbed it of some of its poetic atmosphere. We must take it on trust, incidentally, that the that the operatic tradition of reading letters as spoken dialogue, here extended to a telephone conversation, was being consciously followed rather than constituting further evidence of incompleteness.

The strongest impression left by the performance was of Knussen's brilliance as an orchestrator, brilliance that despite the London Sinfonietta's tactical playing under the composer himself caused some problems of audibility (again, tolerable for adults, less so for children). The cast, for whom the period of preparation must have been tricky, deserve nothing but

praise. The way that Cynthia Buchanan (Jennie) projected character through an all-over costume and full mask was tribute to her outstanding gifts as a physical actress, and she also sang most expressively and projected more than most in the way of text. Her Jennie was a most touching creation.

Too much of Deborah Rees's role was discomfited for much in the way of words to get across, but she carried prettily; Neil Jenkins (admirably clear), Rosemary Hardy, Andrew Galloway and Stephen Richardson (voice of the Lion, roaring in terrifyingly amplified *Sprechgesang*) completed the cast. Sendak's decor looked lovely but must have been difficult to work—creaks, squeaks and thumps were in fierce competition with Knussen's score. The physical Lion was a technological triumph to match the Wild Things. Frank Corsaro produced.

The Wild Things, played after the interval, is a far stronger, more solidly constructed piece, and wove its customary spell despite more than its fair share of mishaps (one of the monsters tumbled over and had to be helped up by extra). Indeed, it was sad to see evidence of under-preparation and technical uncertainty at Glyndebourne, of all places.

Frikzhan/Young Vic Studio

Martin Hoyle

Funded by Camden and sponsored by Texaco (curious bedfellows; ideology spending almost the indefatigable Michael Croft's brainchild, the National Youth Theatre, is back, as big bouncy and ambitious as ever. A season that includes two major Shakespeare—the operatic *As You Like It* in the company's Regent's Park debut—and Brecht, has opened with a prize-winning two-hander from 20-year-old Martin Brill. The Texaco competition jury, no less than Mr Croft himself, obviously, the suffragettes and nostrils for sniffing out real talent.

A DHSS official questions the claimant he has reason to believe is receiving benefit for a non-existent wife. The official is black, the claimant a white policeman. The play rises to a climax as each remembers the 1981 Brixton riots, soliloquising on either side of the darkened stage to the sounds of violence. The predictable revelation—it was this policeman who tortured the black and left him with a useless hand—is less important than the men's reaction to it. The black rejects

the state system (as he sees it) of fostering hatred, ignores the change of revenge and almost contemptuously dismisses the claimant's lie.

The writing is sufficiently powerful to make one wish that Mr Brill had not plumped for the simple conspiracy theory. "We are not what we are but what we are taught to be" overrules the instinctive human factors that provoke antipathy, incomprehension and suspicion. Racial tension often has deeper and more tangled roots than manipulation by them for their own purposes.

The dialogue is strong without being theatrical and, unusually in a young writer, can be gently introspective as well as angry—as when the thuggish white man speaks wistfully of the wife, intelligent and articulate, who incredibly chose him but has now left him, and the black man remembers the mother who drugged for London Transport.

This finely written play (but a fraudulent claimant is surely not accused of *libel*?) touches on the power we have over one

another as individuals and the power the state has over us all; how it can be abused and how this abuse can be resisted.

Mike Afford's production evokes strong and natural performances from Dhoi Newman as the official and Niall Refoy, the claimant. All power to the collective elbow of Texaco and Camden; and the obvious fund-dispenser whose ivory tower at Piccadilly (cf. the Buxton Festival) must give a very misty view of what is valuable, lasting and worth nourishing for the future.

Julia Margaret Cameron exhibition

The exhibition of Victorian photographer Julia Margaret Cameron's work, which has been on tour internationally, will be seen at the Victoria and Albert Museum from August 14 to October 6 in the Photo Gallery, Henry Cole Wing.



Geoffrey Hutchings in the RSC's "The Desert Air" which opened last night at The Pitt

Singin' in the Rain/New York

David Vaughan

In the last two or three years, Twyla Tharp has choreographed not only such successful works for her own company as *New Strada Songs* and *Fall Accomplish* (shown in London two years ago as *Untitled*), but also the best new classic ballets presented by American Ballet Theatre (*Swan Lake*) and New York City Ballet (*Bruch's Ballet*), in collaboration with Jerome Robbins. Looking for new worlds to conquer, she has turned to the Broadway musical. Typically, she jumped in at the deep end and took on the dual task of directing and choreographing the New York production of *Singin' in the Rain*. The show opened last month after a much-extended preview period, during which it was widely reported to be in trouble. The final version certainly shows signs of having been much revised—gaping holes in the continuity that are barely papered over, numbers that come out of nowhere.

Tharp has said that she refused previous offers of Broadway shows because the scores were not worth bothering with. *Singin' in the Rain* has the advantage of songs by Arthur Freed and Nacio Herb Brown that were mostly written for old MGM movies and pressed into service again in the 1952 movie of the same name. Less helpfully, the stage show also uses the movie's plot and some of the dialogue, by Betty Comden and Adolph Green, and even much

of the original choreography by Gene Kelly and Stanley Donen. Tharp has always been willing to acknowledge her debt to earlier choreographers and dancers, from Balanchine to "Bojangles" Robinson, but the decision to reproduce so much of Kelly and Donen's work as faithfully as possible in another medium has prevented her from putting her own stamp on this show. Given the audience's expectations, perhaps she had no choice—they clearly want to love this show and to have their memories of the movie confirmed, applauding all the familiar songs even when they are played in the overture. No doubt people would be disappointed if the hero did not go glowing about in puddles to the title song. But other than "Make 'em Laugh," that shameless plagiarism of Cole Porter's "Be a Clown," the vaudeville number "Fit as a Fiddle," or "Moses Supposes," with its cruel baiting of the prizey vocal coach—could have been dispensed with.

True, Tharp has contributed some numbers that are unmistakably her own. There is a witty and affectionate parody of the early sound film production numbers like "The Wedding of the Painted Doll." And one is thankful that Tharp has not felt it necessary to attempt to replicate the movie's over-the-top anachronistic "Broadway Ballet" that is the worst feature of the

original movie. Instead, she has staged a wonderfully absurd scene with carousing peasants (who look rather like refugees from the film of *Amadeus*, also choreographed by Tharp), initiated into the mysteries of tap dancing by the "dancing cavalier."

As always, Tharp has picked her collaborators shrewdly. The sets are by Santo Loquasto and the lighting by Jennifer Tipton, her long-time associates. Ann Roth's costumes are in authentic '30s style rather than the '50s version seen in the movie. The clever film sequences are by Gordon Willis, Woody Allen's cinematographer on *Zelig* and *The Purple Rose of Cairo*. The leading actors, Don Corley, Mary D'Arcy and Peter Slutsker, are accomplished dancers and singers and wisely do not attempt to impersonate Kelly, Debbie Reynolds and Donald O'Connor respectively.

The biggest omission on opening night was for Faye Grant, who is sensational in the role of the dumb blonde, Lina Lamont. And nearly a dozen of Tharp's own dancers crop up all over the place, not always in dancing roles. One can't help feeling that with all this talent there could have been a really good original show instead of this elaborate act of homage to movie that was overrated in the first place.

Muscle/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Arts Guide

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6282).

2nd Street (Majestic): An inmost celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leggy boogie by a large chorus line. (777 9290).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group. It is, in sum, very good, but the quality of the music (239 6200).

Highland Road (48th St): The first installment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical

in genre with the backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that and two songs but work well with Tony Stanger's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuxedo Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections of a drag queen add up to the best historical Sarah Bernhardt role on Broadway today. (944 9450).

Secret Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen, Harold Pinter's direction and Eileen Dietz's evocative designs contradict the play's topical, exploitation and place the story in a different context. (239 6262).

LONDON

Secret Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen, Harold Pinter's direction and Eileen Dietz's evocative designs contradict the play's topical, exploitation and place the story in a different context. (239 6262).

was of small town Southern vengeance by the sea (239 9532).

Noises Off (Savoy): The funniest play for years in London, it was with improved third act. Michael Blake-more's brilliant direction of black-magic shenanigans on tour with a third-rate farce is a joy factor. (839 9590).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollercoasting folly has 10 minutes of Spielberg movie magic, an exciting first half and a convincing reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score and towards rock, country and hot gospel. No child is known to have asked for his money back. (834 8134).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Good to include *The Small Hotel*, Glad to be Unhappy and the Balanchine ballet for *Slaughter on Tenth Avenue*. (437 5834).

2nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's top-dressing extravaganza has been rapturously received. American Clara Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (239 6106).

Me and My Girl (Adelphi): Sleek, ancient and enjoyable revival of Britain's biggest war-time musical hit, with Robert Lindsay in the Lupino

lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Erik May all playing the pious as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gummer's imposing design of bureaucratic bunnies, the show has a sort of monumental stinkiness as well as nightmarish tedium. New translation by Adrian Mitchell. (822 2252).

Barrabas (Victoria Palace): Michael Crawford returns to London with his wondrous performance as the circus impresario, adding one new trick in a likeable message of a musical. (824 1317, credit cards 826 6735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's gliding comedy of love, murder and linguistic mischief, with Paul Edlington a force earth bound. George Moore II then was Michael Hordern, Felicity Kendal delightful as the retired musical comedy wife. Peter Wood directs. (836 0404, credit cards 576 6223).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher dramatically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All

worth seeing. (828 5755, credit cards 638 8881).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magazine acquires Britain's most prestigious newspaper. A journalistic satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (828 2252).

Breaking the Silence (Mermaid): Another RSC transfer of Stephen Pollack's account of his family's emigration from post-Revolutionary Russia. Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5566).

The Mysteries (Lyceum): The theatre of Henry Irving and Jos Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (779 9056).

Gyps and Dolls (Prince of Wales): The 1922 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterpiece of Charles Peters. Richard Eyre's production and John Gummer's affectionately lavish designs complement this most joyful and liberate of musicals, a fitting tribute to the re-

cently deceased co-librettist Abe Burrows (920 8881).

NETHERLANDS

Amsterdam, Stedelijktheater, Yvonne Hünorstein, director. Version of Macbeth, with Mikijiro Hira in the title role, and Komaki Kurihara as Lady Macbeth. (243 3111).

SPAIN

Seuñador, Plaza Porticada, Lindsay Kemp Company. The Scottish mime actor in Flowers, a lyrical celebration of humanity. (21 03 08).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Selzer's new American National Theatre company is the James O'Neill version. (254 3570).

TOKYO

The Diary of Anne Frank. The Japanese version of a musical based on the original diary, and directed by Kim Grant, stars Jun Amano, Kogumi Asaka (as Anne), Akira Onodera. This seems an unlikely subject for a musical but a relative of Anne Frank has given the project his blessing. The Geijutsu Theatre. (561 2333).

The Damnation of Faust

Andrew Clements

What exactly should be done with *The Damnation of Faust*? Berlioz's "dramatic legend" stands unashamedly in the no man's land between symphonic concert piece and opera, as uncaring of the problems it sets performers as it is of the harkles it raises among Goethe lovers, who feel a German masterpiece has been hijacked by a Frenchman for his own nefarious ends. Perhaps a Prom in the Albert Hall could offer a solution, something along the lines of the concert performances of Glyndebourne productions that have become such a welcome feature of each season—a presentation with just enough trappings of the theatre to lift it out of the ordinary.

Monday's account, however, was straightforwardly staged, with scarcely a nod towards theatricality. The Albert Hall was well filled with massed choir—the BBC Singers and Symphony Chorus, the London Philharmonic Choir, Pro Musica Chorus, Finchley Children's Music Group and the St Angela's Singers with the BBC Symphony Orchestra conducted by Mark Elder and an excellent quartet of soloists.

I cannot quite report that such austerity left this unruly choir, man's land undimmed; long stretches were cool rather than rapturous. Mr Elder's proven flair for dramatic intensity in the opera house was only fleetingly in evidence here; having secured unfailingly attentive playing

from the BBC SO he never quite gave the orchestra its head, so that the delicacy of such sections as the Ballet of the Sylphs made more of an impact than conventionally rowdy passages: the Hungarian March once seemed almost deliberately underemphasised.

If the conductor's honourable purpose was to draw attention more towards the text and to his soloists' presentation of it he succeeded admirably. Kenneth Riegel is not the most mellifluous Faust one could imagine; at times his singing above the stage has to be taken as read. But his most careful detailing of the French lines and his concern for their sense were a constant delight. As Marguerite, Sarah Walker also savoured the full value of every phrase, preserving a cool, beguiling detachment that made one hang on every note.

There was broader characterisation from Richard Van Allan in Brander's song and a splendidly ribald fugal chorus to follow it, while Pierre Thau brought his finely tuned Mephistopheles again to the Proms. Here was one singer who surely regretted the rather clinical presentation; the hints of stage business that he introduced were shrewd and never overdone, but they did underline the absence of some kind of visual component in what was otherwise a thoughtfully conceived and executed evening.

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Labour half way there

THE statement published by the Labour Party yesterday, A New Partnership, A New Britain, is in its own words, intended "to set the political agenda for the next election."

In many ways it is an advance on any major document to come out of the party in recent years. To take one small, but significant, example, it is brightly produced. There are photographs, tables and cartoons, and the text is relatively short and simple.

The key words are ones which could well become popular in a period of longed high unemployment: partnership, fairness and co-operation. Labour, in short, may be coming out from its past, not just with optimism and by-elections, but also in policy and presentation.

More accountable

Far more interesting than the inclusions are the gaps, of which there are several. For instance, the statement makes no wholesale commitment to renationalise what the present Government has privatised. Instead it says public enterprise "must be made more accountable to its workers and more responsible to the community it serves. We intend to come back to this issue and come forward with proposals in the next year."

There is no pledge either to repeal the whole of the Tory Government's legislation in industrial relations and to revert to the position before Mrs Thatcher took office in 1979. Rather there is something more subtle: a pledge to repeal what is called "divisive trade union legislation and replace it with positive legislation."

Mr Neil Kinnock, the Labour leader, suggested yesterday that that meant ensuring the worker's right to strike rather than a straight reversion to the status quo ante. Clearly the party is becoming more pragmatic. It is also clever in not giving to many detailed hostages to fortune in advance. It has recognised the dangers of promising too much, and the next election is likely to be two years or so away, it has time to develop its thinking as well as its plan of campaign.

It will need all the time available, however, if it is fully to catch up with the present, let alone dominate the future. The statement still contains an excessive amount of baggage

that would have been better discarded in the 1980s. It is not true, for example, that UK productivity growth has lagged behind the rest of the industrialised world... because investment has been too low. Investment recently has been running at record levels. Public investment, measured against the country's ability to pay for it, has been high for years.

Mr James Callaghan, when he was Prime Minister, acknowledged that the notion that problems could be resolved simply by throwing money at them should be abandoned for good. Previous Labour governments had no more success either with the direction of investment, nor did the Conservatives in the period 1981-84. Witness the near collapse of the British car industry and the over-investment in the British steel industry with all its attendant problems today.

The Labour Party under new leadership still tends to believe that the old, tried and failed remedies should be tried yet again. There is a plea for more regional policy, for the restoration of exchange controls and a "strategy for fair wages."

"We must end low pay and reduce insecurity, especially for public sector workers," the statement says, "by establishing agreed comparability mechanisms." Nowhere is it defined how that can be achieved.

While insisting that public expenditure cannot be allowed to get out of hand, there is the following giveaway line: "We hope that local authorities will have expansion plans ready for the Labour Government to take office." A quicker way back to the problems of the mid-1970s can scarcely be imagined.

We do not doubt the party's sincerity. We do wonder however, about its naivety in trying to behave as if the failures of the past did not exist. It is as if it believes that one more round of Keynesianism, one more dose of Keynesianism, one more strengthening of the National Economic Development Council, one more shot at state planning would do the trick.

It is particularly ironic when socialist parties in other countries, such as France or New Zealand, are beginning to think how the Labour Government at present is barely half way there.

An autopilot for Singapore

SINGAPORE'S leaders talk of igniting the second stage of the 25-year-old People's Action Party rocket. They are referring to the transition between the Government of Mr Lee Kuan Yew and his younger successors—such as Mr Goh Chok Tong, 44, the first deputy Prime Minister, Mr Tony Tan, the Education Minister and the Prime Minister's son, Mr Lee Hsien Loong, 33.

Yet at this critical juncture the economic thrust of the Singapore rocket has faded. In the past five quarters the rate of growth of GNP has petered out from 10 per cent per year to zero. The Government fears that this is due to more than just an unfortunate coincidence of factors. It has appointed a high level committee, including Mr Lee's son, to diagnose the deeper reasons for the rocket's failure.

The committee's interim findings focused on business confidence in Singapore, which it found had been rising far more quickly than in competing Asian countries, and more quickly than productivity. The Government promptly responded with a package of measures designed to cut these costs.

This interim solution in itself marks a reversal of policy. The original development plan for Singapore in the 1980s embraced an increase in labour costs. Indeed, it imposed these increases on Singapore's businessmen, with the aim of pushing the Singapore manufacturing and service sectors up market.

Had the Singapore growth rate held up, the cost figures pinpointed by the committee would presumably have been regarded as a victory rather than as a problem, but after a period when Singapore appeared to be "raising its game" the self-imposed handicap caught up with it.

The committee could well conclude that what Singapore needs in the second stage of its post-war flight is an entrepreneurial economic heart developed from within rather than one inserted from above or imported from without. Substantial parts of the Singapore economy, particularly in the manufacturing sector, have either been created by the authorities on a grand scale or enticed in by them from abroad. It is a fact of economic life

that dirigisme becomes harder to get right the more wealth a country's labour force increases. Singapore's per capita GNP of over \$6,200 (\$4,530) now exceeds that of a number of EEC countries.

Equally, it may be worth rolling out the red carpet for foreign investment in a backward nation badly in need of Western management skills, technology and capital. But it can become a source of instability if carried to excess by a small and wealthy state like Singapore, particularly if the government has firm ideas of what foreign manufacturers or banks are there for.

The way Singapore's savings flow does not help the emergence of a diverse, entrepreneurial economy in which foreign and government investment are a useful component rather than a driving force. The government imposes substantial forced savings on its people through a Central Provident Fund which takes 25 per cent of wages from employees and the same amount from employers.

Since the government runs a budget surplus a large amount of this fund is invested abroad—largely with less frugal governments across the Pacific. At the same time, there is substantial fiscal discrimination designed to persuade foreign investors to put their money into Singapore from overseas.

Venture Capital

This sketch is simplistic but it suggests that Singapore's investment flows should be short-circuited to nourish a market economy of a more home-grown variety. In particular, the government should examine the idea of "privatising" substantial enterprises which the government currently controls—Singapore Airlines is an attractive example—to deepen the intrinsic appeal of the Stock Exchange both for Singaporeans and the foreign financial community.

It should back the creation of a venture capital market to finance more indigenous manufacturing and high-technology enterprises. And it could consider modifications to the forced savings system to free the flow of necessary funds.



Old-style confrontation

WILL IT last? That is the question most managers have asked at some point over the past few years: will this period of relative managerial power over labour go the way of all things with a tighter labour market, or another Labour Government?

Or has there been a cultural-cum-industrial (even cum-historical) shift in the British "system" of industrial relations which means that, whatever we were like before, we will not be like it again?

There is no proof either way, no answer at the back of some industrial relations textbook. But the available evidence points to the latter proposition: to the existence, in the "system", of elements which are fundamental enough, and recognised as being fundamental enough, to roll the industrial relations wagon off one set of rails onto another. The destination, of course, is as unknown as it was before.

The man credited by many (including himself) as being the architect of the change thinks the change has indeed happened but he is characteristically sardonic about it.

Says Mr Norman Tebbit: "I don't think it's been quite enough yet—unfortunately too often it's been if not a deathbed conversion, a sickroom conversion. But I notice, going around such unlikely spots as shipyards, that the atmosphere between shop stewards and managers is quite different from what it was four or five years ago. Then in most cases, it still was rather the management dining in the oak paneled boardroom which had been there since there were paddling-wheel steamships, with the luscious lunch and the glasses of port and the blokes eating their sandwiches who were blamed for everything. There now does seem to be a much closer feeling between the guy who's managing the yard and the blokes who are representing the workforce."

Note the shift in Mr Tebbit. Two years ago, his review for the Department of Employment for his present billet at the Department of Trade and Industry, he was not known for his "what about the workers?"

statements. His legislation (the 1982 Employment Act and the foundation work on the 1984 Trade Union Act) was advertised as being a redress of the balance of power in favour of the managing class. That was of course a large part of its aim: but it was not an end in itself. Neither managerial power nor union power can be ends, but only means—means, in this case, to the end of more efficient production and higher productivity.

The shift Mr Tebbit, with his populist instinct, detects is towards that holy grail of management: the replacement of class struggle with the struggle for markets. No longer do workers against their management (or vice versa), but us Company X people against them Company Y people.

He is not alone in this. Over the past month, two plants—Borg-Warner's main UK subsidiary in West Glamorgan and Shell's chemical plant at Carrington, near Manchester—have been relieved from what appeared to be certain closure through deals which explicitly recognise co-operative relationships between management and workers as the cornerstone of their future viability.

Both have introduced considerably greater flexibility between grades of workers than existed before, and both deals were recognised by the unions, tacitly or overtly, as essential.

In Borg-Warner's case, agreement from the unions—principally the Amalgamated Union of Engineering Workers—was forthcoming for a six-year pay deal to phase in over three years: for an end to the practice of full time conveners; and for the development of an "ownership" concept of working which means that a machine operator will not only operate, but maintain and clean his equipment as well.

At Shell Carrington, management and unions agreed on a cut of staff from 1,200 to 500, a plan which was then endorsed at mass meetings. Central to the plan was a scheme to eschew compulsory redundancies, to set up a job-finding agency for those who wished to leave and to continue recognition for the joint union structure on the plant.

The last element emphasises

UK industrial relations

A new pattern which should not come unstitched

By John Lloyd, Industrial Editor

the difference between this deal and others which have gained wide publicity. It has been achieved with the co-operation of a strongly organised shop steward structure: the convener of the stewards, Mr Ian Brown, is a prominent, and left of centre, member of the electricians' union the EETPU.

Common to both of these cases was a strategy which is now common to many others: the direct approach. Management now talks directly to its workforce, with or without the unions' acquiescence, in plant after plant. That battle has been won in many sectors: it is still being fought in some, as in the National Coal Board. The use of briefing sessions

have been able to establish directions and lead people in these directions, and not just be part of a consensus which can be a low common denominator.

Sir Peter Parker goes further, though. In addressing the issue of how permanent the change might be, he cites management's interest in "more than Edwardian values"—a good pun, pressing into service the Prime Minister's famous Victorian nostalgia and Sir Michael Edwards' no less celebrated managerial machismo. Says Sir Peter: "Unused resources, while there is still a lot of personal and social poverty—are a challenge to our thinking and compassion."

The culture is changing for unions, too. The putative split in the TUC is ostensibly over the issue of whether or not the AUEW should be disciplined for defying Congress policy in taking money—£12m—for postal

The unions know the world has changed: the skill which their leaderships must now demonstrate is how best to accommodate to it

in which managers tell the facts of life (nasty and nice) to workers, the use of videos in canteens and even in homes, the availability of background leaflets on the company's performance, its markets and its competitors—all of these things are now happening in real life, not just in industrial society leaflets.

Sir Peter Parker, chairman of the British Institute of Management, of Rockware, of Mitsubishi (UK) and best known for chairing British Rail through the late seventies to the early eighties, agrees with Mr Tebbit in this at least: "There has been a shift," he says. "I think it's a mental thing. There's no question that there is a sense in the management world of a new realism. That doesn't necessarily mean hairy-chested macho management, just a consciousness that management's role is to lead, as well as to use technical niques."

"I think it's here and in many other parts of the world, as a result of the recession. The survivors are the managers who

in the Community (a national organisation that encourages businesses to be socially responsible).

"Now that takes self confidence too, because in the days when management was shell shocked, dealing with industrial relations crises day after day, they had no time or inclination to define or carve out a social role for themselves. Now companies are making a senior executive in charge of social policy, and giving it backing."

This self-confidence, as Sir Peter Parker describes it, was the "chilling face" of management, was the theme of a conference last month at the Confederation of British Industry's headquarters. It saw Mr Tom King, the Employment Secretary, close the era of "on your bike" by saying it had "obvious limits," and launch a plan to bring jobs to the workers—a plan which relied on a partnership between business and government.

It saw, too, Sir Terence Beckett, the CBI's director general, speak in stronger tones



... and the new spirit of co-operation

about the evil of unemployment than he has done in the past. Unemployment, he said, was not largely due to "lack of effort or improvidence."

"The contrast between a shabby environment that needs putting right and a large number of long term unemployed that want work means that a way must be found to put the two together," he said. "Unused resources, while there is still a lot of personal and social poverty—are a challenge to our thinking and compassion."

The culture is changing for unions, too. The putative split in the TUC is ostensibly over the issue of whether or not the AUEW should be disciplined for defying Congress policy in taking money—£12m—for postal ballots: below that obvious conflict are jealousies and divisions over "no strike," single union and over-cooperative deals between some unions—in particular the EETPU—and management.

Yet most officials recognise that much of EETPU practice is their own, though the former's style is to shout about it and the latter's to keep it quiet. The unions know the world has changed: the skill which their leaderships must now demonstrate is how best to accommodate to it.

The change is of this order. In the 1960s and 1970s, unions were able, partly through an increasing exercise of their industrial power, partly through legislation, to moderate the basic fact of life that labour power is a commodity to such an extent that management's job of handling that commodity became increasingly constrained.

At its apogee, this meant a quasi-institutionalised relationship between management and unions, with many management unable, or feeling themselves unable, to manage, yet with unions unwilling to exercise necessary discipline in order to carry on efficient and innovative production. "Tatcherism" was a tighter labour legislation, a born-again management, high unemployment—has broken that stasis.

Most union officials dislike that, and therefore dislike those unions, like the EETPU, which

take the present for granted and accommodate themselves to it, aggressively elbowing out of the way those unwilling or unable to follow their suit. Bit by bit, though, others are taking the same road: the AUEW unsurprisingly, Mr Clive Jenkins' white collar union, ASTMS, rather more surprisingly.

The Labour Party is part of this process. While its joint policy document launched with the TUC yesterday reaffirms a partnership with the unions, it is studiously vague on most points of real consequence and Mr Kinnock's clear preference, as evinced yesterday, is for a relationship in which a Labour Government is clearly dominant.

More important than personalities, or the lack of them, are the movements in the labour market which determine strength or weakness of organised labour. The growth of part-time work, of service employment, or a secondary labour market in which sequence, freelance, home and other workers form the periphery of a more stable core of skilled and professional workers with higher wages and more security, is not merely a product of the last six years (though the Thatcher Governments have tended to run with its grain); rather, it is a product of industrial restructuring of the kind which Labour will have to encourage if it is to become, as it wishes to, the party of production and of efficiency.

Such developments do not dictate an end to trade unions, but they do mean an end to certain union forms and practices. As union members demand to be treated by their unions as individuals, so the Conservative reforms on balloting seem to be right, and the old mass forms of voting seem accepted uncritically by all—seem to be "wrong." Mr Kinnock recognised that change yesterday and he must now convince his comrades of it.

It is hard to see how all of this may be unstitched, as hard, indeed, as to envisage a return to full employment on the basis of a full working week for everyone. There will be much change, much ebb and flow, yet to come: but no going back.

Along party lines

Norman Willis, TUC general secretary, is not the smallest man in the Labour movement—or the chairing of the press conference at which he and Labour leader Neil Kinnock yesterday launched the document setting out a new partnership between party and unions. Willis showed he was not going to let any old Welshman beat him for long-winded answers.

In an hour, the packed gallery of reporters got in little more than half a dozen questions which may have been the diffusive duo wanted, since there are large, delicate areas in the document which would shrink under too ruthless an examination.

But Willis never loses his sense of humour. In full and passionate flow for five minutes or more, and recognising a certain restlessness among the audience, he smiled engagingly, and said: "I'm sorry if my answer has to be brief."

The new partnership will never be at a loss for words.

Outlook

Life at Congress House does have its problems. Yet another little local difficulty, it seems, may now arise if the TUC were to expel the Amalgamated Union of Engineering Workers or the electricians union, EETPU, for defying the General Council's decision not to accept state aid for postal ballots.

The AUEW has already accepted £1.2m to cover the cost of its ballots as far back as 1981; and the EETPU intends to follow suit.

It has now dawned on some members of the TUC staff, who also happen to be members of either of these unions, that if their union is expelled, they may have to join another union to avoid dismissal as well.

Only members of TUC-affiliated unions are employed at Congress House.

Of those who could find themselves in this fix, the most

Men and Matters

prominent is the TUC's assistant general secretary, 62-year-old Ken Graham. He joined the AUEW back in 1938 and only four years ago was presented with the union's special award of merit.

In yet another ironic twist, he is now involved, as an officer of the TUC, in the disciplinary process which will decide whether his union should be censured, suspended or expelled.

Good spell

David Firnberg knows all about computers—but he cannot spell. He was director of the National Computing Centre for five years before setting up his own consultancy. "But I can't write a page of text without making several spelling mistakes," he admits.

He believes a lot of businessmen could be in the same fix. "I firmly believe there are two groups of people in this world—those who can spell and those who can't."

Firnberg did something about it. With his former Lex, who was on the editorial team of the Oxford English dictionary and can spell, he produced a spelling dictionary for Cassell's in 1970.

It has been out of print for the past four years but has just reappeared in paperback, complete with the latest technical jargon, and American spellings for those who wish to be bilingual.

If you do not know whether "commitment" is spelled like that or whether it should have another "t" in the middle, you might find it useful.

Firnberg had great trouble interesting a publisher in the idea. Even a literary agent turned up his nose. "Mind you, my wife thought it was a great



"Apparently Chelsea is suddenly smart again and Dr. which absolutely out"

Afore ye go

Pity the poor Guinness board. There they were on Monday afternoon waiting expectantly at the offices of financial advisers Morgan Grenfell for the Arthur Bell defence document, only to learn that it had been delayed until 11.30 pm, partly to spike Guinness's press advertising campaign scheduled for the following morning.

Bell's move put Guinness men's dinner plans into disarray, though they were partly compensated by the arrival of

a large bottle of Bell's whisky, compliments of Lord Spens, head of corporate finance at Henry Ansbacher, Bell's financial adviser.

They retired back to the Guinness offices in Portman Square nursing the Scotch until the Bell's document arrived. They even wrote to the donors thanking them. "But they didn't send us any stout," a Bell's spokesman complained yesterday.

Special ties

In this 40th anniversary year of the end of World War Two the Guinness business has boomed. Any tourist—or con man for that matter—can lay hands on a Guards, Rifle Brigade, even an SAS tie, just by putting money over the tie shop counter. And he can pick up an Exonian or Oxbridge college tie just as easily. It wouldn't be possible to demand proof that the customer had served in the Guards or gone to Balliol.

There is one notable exception. A golfer, or anybody else for that matter, cannot buy a Hole in One tie just by producing the necessary £7.25. Thresher and Glenry, with four shops in London and one in Hertfordshire, has the sole right to issue the official Hole in One tie. The company, represented in the City by Woodsons of Chesapeake, demands certification from a golf club official before it parts with these maroon or blue treasures with golf club motifs and flag.

Keith Sargent, the company's managing director, says: "We get applications from golf clubs all over the world—Australia, New Zealand, North America, Europe, Japan and South Africa."

Standing the test

Heard in a Leeds pub: "I'm not sure this Asda merger with MFI is a good idea. I bought a chicken the other day and a leg fell off."

Observer



KUWAIT AFTER THE BOMBS

The immunity wears off

By Kathy Evans, recently in Kuwait

WHEN THE bombs went off in two seaside cafes in Kuwait earlier this month, leaving 11 dead and 89 wounded, analysts both inside and outside the country began to wonder whether Kuwait was becoming the latest Arab playground for settling regional disputes. Diplomats and local newspapers alike are already posing the question whether Kuwait is being Lebanonised.

For 10 years, Kuwait and the Gulf states have been successful in immunising themselves from the factional disputes and confessionalism which plagued the rest of the Arab world. Even in the last six years, as aid quietly flowed to Iraq, Kuwait appeared safe from the consequences of openly siding with the war effort against Shi'ite Iran.

Eighteen months ago, "Islamic Jihad" and other Shi'ite terrorist organisations from Kuwait and the Gulf region on notice that the period of separatism was over.

The message came with the truck bomb attacks on the American and French embassies and Kuwaiti installations in December 1983. It was a carbon copy of the attack mounted by Lebanese Jihad in Beirut which killed 240 U.S. marines.

Kuwait subsequently arrested and sentenced 17 Arabs, most of them Shi'ites from Iraq and Lebanon. Alarmingly, some of the accused included Shi'ite Kuwaitis and stateless Bedouins — most were long-term residents in the country. Some had direct family connections to the terrorist chiefs in Lebanon or elsewhere.

Others were affiliated with groups openly dedicated to Islamic revolution as the Hizb al-Da'wa, an Iraqi group dedicated to Islamic revolution in Iraq.

Kuwait bravely convicted the terrorists, sentencing three to death and the rest to long prison terms. But the spectre of terror had been set off, and when a Kuwaiti airliner was hijacked to Tehran by Lebanese terrorists, Kuwait diplomats on the aircraft found themselves the object of the hijackers' grisly attention.

The next attack — and surely the most traumatic for the Kuwaitis — came with the suicide car bombing of the Emir's cavalcade last May. By a miracle, the Emir, Sheikh Jaber al Ahmad escaped.

These attacks on the Emir and the cash bomb six weeks later, Kuwait has not surprisingly turned into a city obsessed with security. Police road



blocks spring up each day. Security guards routinely search people entering hotels, government offices and even shopping complexes. Some children's playgrounds have been closed, others are sparsely attended as Kuwaitis fear to gather in public places. Attendance has even dropped off at the Kuwait stock exchange.

Kuwait is also scrutinising its foreign community intensely, and since May thousands have been deported. Many are illegal Asians who have been in the country for years. Foreign Arabs have been subjected to night-time raids on their homes, arbitrary arrest and questioning, and deportation.

Police actions have unnerved the foreign Arab community, particularly its Shia component which believes it has come in for special attention. Foreign Arabs say that after "what is your nationality?" the next question at police road blocks is "Are you Sunni or Shia?"

Senior officials in Kuwait, close to the Sabah family, say such police actions are "common sense" and that Kuwait is no longer going to accept "all the unwanted" in the Middle East.

"We are facing highly organised terrorism and we are only doing a bit of house cleaning," remarked one official. The number of deportations since May had not been more than 5,000, he added.

Yet despite the large-scale police actions, the Kuwaiti security services still have little idea who organised and carried out the bomb attacks.

Diplomats in Kuwait fear that the deportations will in themselves encourage more terrorist actions, for the web of hatred will be spread throughout Lebanon, Iraq and Iran. Kuwaiti

officials agree that more bombings in the country or attacks on Kuwaiti officials and institutions outside are likely. Only last week, the office of Kuwait Airways was bombed in Beirut. Threats continue against Kuwaiti diplomats overseas and no one believes that the cafe bombs were the last.

Most Kuwaitis believe the terrorism is being directed at the country's democratic tradition. The cafe bombings, they point out, took place as Parliament was discussing a cut in aid to Syria, Jordan and the PLO. Most pinpoint the Syrian/Libyan/Iranian alliance and say that Iran has the most interest in destabilising the country.

The perception that the attacks derive from Shi'ite terrorist organisations has put the country's native Shia community in a super sensitive mood. Most Kuwaiti Sunnis, it must be emphasised, feel no sense of separatism from their Shia fellow nationals — indeed in many ways the Kuwaiti nation has felt a heightened sense of unity since the bombings.

But the recent round of terror has opened a flood of self-examination in the local media about Sunni-Shia relations. The hell was kicked off by a leading Shia academic, Dr Abdul Rida al-Sayid, in an article in "Al Watan" newspaper which is replete with subtle references and code words.

Dr Sa'eed claimed that "certain factions" in the country were trying to make the authorities hostile to one section of the population. "They forget that by doing so they are spreading the seeds of dissension and fanaticism," he warned. "These people habitually blame this section of the community as if they were responsible for every crime and terrorist action in the country. They should remember

that the more dissension and hatred, the more are the chances of terrorism being exported to our land. Those people are now wondering if Kuwait is becoming the Lebanon of the Gulf. This hypothesis could become a reality — it depends on our behaviour," he wrote.

Dr Sa'eed touched a highly sensitive chord in Kuwaiti society. The result, he says, was social and political ostracism and condemnation.

Many Sunnis protest vigorously at suggestions that there is prejudice against Shia in Kuwait, but others, made more frank by the bombings, point out that the spiritual leader of the Shia is the Ayatollah Khomeini. Such spiritual leanings smack of disloyalty for those who closely identify the bombings as Iranian-inspired.

Today there is much speculation that a new strand of American trade policy is developing that considers bilateralism an acceptable, if not preferable, approach to international trade.

Several developments have continued to encourage a bilateral or multilateral approach. Fundamental is the transformation of a world of more-or-less equal trading partners to one composed of a few giants — the EEC, Japan, and the U.S. — which has made a bilateral or trilateral approach to many trade problems both feasible and attractive.

Against this background we now have the high and growing trade deficit. The consensus in Congress, the Administration, and the business community is that the trade deficit is not sustainable and that if measures to bring it down are not undertaken quickly, an economic crisis of major proportion will result.

The sense of urgency has encouraged a shift from multilateral to bilateral measures. The latter are faster and easier to negotiate and implement, and generally provide a "quick fix" rather than relying on longer-term systemic improvements.

SINCE World War II, the United States has been a strong supporter of GATT and an advocate of the economic and political advantages of the multilateral, Most-Favoured-Nation (MFN) approach to trade.

It has been a major participant in the multilateral negotiating rounds conducted among GATT member countries, has supported the expansion of GATT membership to include any country willing and able to abide by its obligations, and has been critical of bilateral dealing and unilateral action by other countries.

This is not to say the U.S. has not entered bilateral trade agreements. It has. The U.S.-Canadian Auto Pact in the mid-1980s, the bilateral agreements under the Multi-Fibre Agreement, various orderly marketing agreements and voluntary export restraint agreements, are frequently cited examples. They have, however, been viewed generally as exceptions to the multilateral approach.

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The multilateral rules and obligations embodied in GATT and the Codes negotiated in the Tokyo Round are widely perceived as honoured only by the U.S. and as largely ineffective in restraining America's trading

U.S. trade policy

The new trend to bilateralism

By Eliza R. Patterson

partners from adopting measures that adversely affect U.S. interests. The proliferation and variety of foreign non-tariff trade barriers are seen as evidence of this.

While disappointment with GATT and the multilateral approach has led the Reagan Administration to call for improvements in, not rejection of, GATT, many industrial Congressmen are calling for a "new approach" that concentrates on regaining America's competitive edge vis-à-vis its trading partners, rather than on developing a multilateral framework designed to foster trade worldwide.

The rallying cry of these Congressmen and their constituents is for a "level playing field." Because the nature and extent of the perceived "unevenness" varies from country to country, too, it is argued, must the measures designed to level the terrain.

Another contributing factor to the trend toward bilateralism in the U.S. is the fact that industry — wide problems especially in textiles, steel, cars and lumber — have replaced product-specific problems in the forefront of trade concerns. Because the foreign competition that injures an entire industry generally is concentrated in a limited number of countries, sectoral problems both invite and lead themselves to a bi- or plurilateral approach.

In 1982 an agreement was reached with the EEC, limiting Europe's steel exports to the U.S. and a further extension of the arrangement was agreed this week. In the past year steel import limitation agreements have been signed with 12 countries, and negotiations are under way with five others.

These agreements cannot be dismissed easily as mere aberrations or temporary exceptions to a trade policy based on a multilateral approach. The Trade Act of 1984 established a "national policy for the steel industry" that has a central statutory feature restricting total imports to a fixed share of the domestic markets.

The temptation to regard trade issues as bilateral issues is strengthened by concern over the bilateral trade deficit with Japan, expected to reach \$50bn this year. The sense among the public, Congress and the Ad-

ministration that the trade imbalance with Japan is due to uniquely Japanese trade policies and practices has caused the Administration to engage in extensive bilateral discussions on areas of particular concern.

Congressional frustration with Japan has resulted in a host of protectionist Bills — variations on an import surcharge are the most common — aimed specifically at Japan, although some of the measures also would have an impact on trade with other countries.

Concern over the debt crisis of certain Third World countries and a realisation that part of the solution must lie in increased exports from those countries, combined with the view that numerous trade barriers in the developing world unfairly restrict U.S. exports, have led Congress and the Administration not only to adopt a different trade strategy for this part of the world from that applied to its developing partners, but also to differentiate among developing countries.

A major example is the Caribbean Basin Initiative, the benefits of which are restricted to those Caribbean countries whose trade policies do not burden U.S. industry.

Finally, any shortlist of current pressures prodding the U.S. in the direction of bilateralism must include the disappointment, even annoyance, of the Administration with the reluctance of other countries to support the Administration's initiative for a new round of multilateral trade negotiations under the aegis of the GATT.

This has made the Administration not only more sympathetic to the bilateral approach advocated by Congress, but also has given rise to the thesis, which seems to be gaining adherence, that bilateral free trade agreements may be an effective tool or weapon to encourage others to support a multilateral negotiating effort, and to the extent they are unsuccessful in that, may be a second-best alternative.

The concrete action most frequently cited as indisputable evidence of a fundamental diminution in the American commitment to the multilateral or unconditional MFN approach to trade is the recently negoti-

ated free-trade agreement with Israel that provides trade benefits to Israel and requires that such benefits may not be applied to any other country.

Although the authority in the Trade Act of 1984 to enter such an agreement applies only to Israel, the legislation does go on to authorise, under specific conditions, the negotiation of similar agreements with other countries. And, although formal negotiations have not begun, in a most unusual step, Congress has held preliminary hearings on a possible free-trade agreement with Canada, indicating that this is indeed a live issue.

That Congress would grant authorisation for bilateral Free Trade Areas while greatly restricting their use indicates that it is not altogether happy about abandoning the traditional multilateral approach.

Uncertainty over the relative merits of bilateralism and multilateralism are pervasive. Congress appears increasingly willing to advocate bilateralism outwardly, but is hesitant to pursue such a route energetically, as shown by its opposition to many proposals designed to put the country more firmly on such a track.

The Administration, on the other hand, continues to stress its preference for the multilateral approach, but is willing to enter bilateral agreements.

In spring, the Administration, without seeking the formal consent of Congress, entered a bilateral-trade agreement on export subsidies with Mexico, the primary goal of which was to set the stage for negotiation of another agreement that would constitute a significant step toward bilateral U.S.-Mexico relations. Many members of Congress opposed such a bilateral agreement out of concern that it would undermine efforts to get Mexico to join the GATT-affiliated multilateral agreement on subsidies.

The evidence is clear that U.S. trade policy is veering away from its traditional multilateral approach toward a bilateral or multilateral approach. While still in its incipient state, and clearly worrisome to many, the forces behind this change are strong.

It appears that only the institution of wide-ranging multilateral negotiations to liberalise world trade can stop this trend from expanding and accelerating.

Eliza R. Patterson is Senior Associate for Trade and International Affairs at the Government Research Corporation in Washington.

A labour market

From Professor P. Minford, Sir—Samuel Brittan's Lombard column about top pay (August 1) was a misleading and uncharacteristic attempt to have it all ways. The Plovidan Report may be muddled. But it is no use either quoting the vapourings of some middle-ranking civil servant as if they constituted solid argument, or counting departures from top civil service positions.

The truth as Mr Brittan most surely knows, is that the market for these posts is dominated by inter-temporal factors. To reach permanent secretary, judge or whatever a very large investment of personal time and energy (human capital) is required; those who set these wages today are largely determining tomorrow's supply.

Much as I wish to see extensive privatisation and the contraction of the civil service I am convinced — and who can fall to be — of the need to have good people in charge of public administration, courts and defence.

Samuel Brittan should not pander even indirectly to the nonsense of the incomes policy lobby.

(Professor) Patrick Minford, University of Liverpool, Eleanor Rathbone Building, PO Box 147, Liverpool.

Top people's pay
From Mr R. Marshall

Sir—Many voters appear to be cynical about inflationary pay increases for top public servants.

Mrs Thatcher has said that the review body is totally independent. But does it include any of the many taxpayers who are working for less than the national average wage, or of the unemployed voters who have been priced out of jobs? Or is it composed of top people only? May we also have the actual figures for migration of irreplaceable top public servants?

When it comes to reward for achievement can it be said that our Lord Chancellor and Judges are providing an efficient legal system which makes justice accessible to all? Many feel that the courts have priced themselves far out of range of the average man. Yet law centres are closing from lack of funds. Elsewhere, have chiefs of staff and top civil servants actually reduced their departmental costs to the taxpayer?

The recent Green Paper told us that the state earnings related pension scheme (which offered a maximum contributory pension of about half of national average wage) is unaffordable for the private sector. This suggests that pay-as-you-go public service pen-

Letters to the Editor

sions must also be a growing worry. The potential cost appears already to be taxing job prospects in every part of the beleaguered public service. Should not fiscal control be exercised so as to limit the maximum public service pension to, say, twice national average wage (one could call this 2 NAWs). If only one NAW were index-linked, and the other were fixed income, there might be some chance of top people staying in touch with payers who are working for less than the national average wage. Beyond these levels they could save for their own retirement like everyone else in the various ways available.

R. C. Marshall, 25 Domeswood Close, Weybridge, Surrey.

Earning the money
From Mr D. Lang

Sir—Your City Correspondent (July 31) tells us of "senior partners of the top 10 British securities firms... earning up to £1m a year." I do not doubt the figure, but are we being asked seriously to accept that anyone in the City of London (or for that matter elsewhere) actually earns that sort of money?

David Lang, 6 Cornhill Road, Dorchester, Dorset.

The information revolution
From Mr C. Cheetham

Sir—As the work by Porter and Millar on the role of information technology in competitive strategy (review, July 26 by Christopher Lorenz) indicates, the key issue about networks (review, July 19 by Geoffrey Charlish) is not so much about the network standards themselves, but about the effect on competitive advantage and profit.

As the state, "It is an increasingly important lever which companies can use to create competitive advantage." It is shared information and shared goals which hold an organisation together, and the network is the means of sharing information.

Need free access to that information to which it is entitled and the ability to exploit information technology to meet its business needs. There is an overuse, and equally important face to the coin, namely that of security which ensures access to information, and its use, can

be controlled by those who have a right and duty to do so. Porter and Millar spotlight the power of suppliers as a competitive force: the objective of open systems network standards is to ensure open competition in the supply of information systems to customers. The supplier of a dominant proprietary network can control the pace at which his customers can innovate and the speed at which they can exploit information technology, and therefore can affect their competitive advantage and profitability. The supplier of a dominant proprietary networking standard also controls the ability of his competitors to innovate and to introduce competitive product to the market.

But, even more important, the information revolution "shifts industry structure and alters the rules of competition" and "it spawns completely new businesses." This raises the even more important issue that, through control of a proprietary standard, a supplier can compete at an advantage over his own customers for entry to new businesses.

As Geoffrey Charlish pointed out, "A long-term commitment to a particular network is necessary and the effect of decisions today could still be felt 10 to 15 years hence." The long-term effect is liable to be on their competitive advantage, their ability to enter new businesses and their profitability, this seems to me an issue demanding the most careful attention by any organisation.

Indeed, it is clearly no longer an issue only for European governments. Industry, in the form of large organisations such as General Motors, Boeing and some major banks, is now requiring open competition, based on open systems standards in the public domain.

Most of those listed as suppliers of proprietary networks are vigorously supporting open systems standards in the public domain.

C. J. Cheetham, ICL House, Putney, SW15

Bits and pieces
From Mr R. McLean

Sir—The answer to J. Bingham's concern (August 2) that England is "left out" of regional matters in the UK, including the design of coins, is simply that the English have for so long regarded England as the UK, the other bits not

being sufficiently important to warrant attention.

Those "other bits" have in recent times indicated in various ways their dissatisfaction with that attitude, so now the English feel they have to assert their Englishness. Quite right, too. By all means design an English coin! Fly the English flag (not the union flag as English football supporters do)! Awareness of one's national identity brings respectation of other national identities. That in itself would help solve many of today's problems.

R. J. McLean, The Birches, Fleet Road, Farnborough, Hants

BT and its suppliers
From the Dean of the Faculty and Graduate School of Business Administration, Fordham University

Sir—Your otherwise excellent editorial of July 24 ("BT and its suppliers") fails to make an important distinction between BT's decision to integrate vertically by buying Mital and its decision to purchase System Y from Thorn-Emmerson. The Mital move is, properly, a source of concern to those who would have British consumers benefit from competitive procurement by BT. Common sense suggests, and American experience with an integrated Bell system proves, that ownership by an operating company of a producer of telecommunications equipment inevitably distorts the purchasing process in favour of the self-owned producer. No matter how many University of Chicago theorists argue that it would be folly for an operating company to favour its own supplier, such favouritism does in fact occur, for institutional if for no other reason. Consequently, vertical integration by BT would indeed disadvantage Plessey and GEC, because no matter how efficient the latter were, they would find it difficult to compete with a BT-owned Mital.

But such an argument can't easily be extended to the decision by BT to purchase System Y from Thorn-Emmerson. In this instance BT is shopping in a world market for the best and cheapest system, a result in part of the fact that it is now or soon will be competing with Mercury. To deny BT the right to shop the world over for the most efficient system is to load on British consumers the apparently higher costs of GEC and Plessey.

This is precisely what Britain doesn't need if it is to become a world telecommunications and financial centre.

Irwin M. Stelzer, Lincoln Center, New York, 10022

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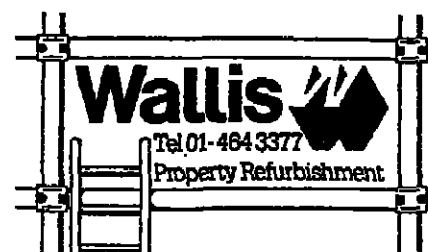
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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday August 7 1985



Icahn lifts holding in TWA over 40%

By Terry Dodsworth in New York

MR CARL ICAHN, the New York financier, has considerably strengthened his hand in the takeover battle for TWA, the U.S. transatlantic airline, by increasing his stake in the company to 40.6 per cent.

Mr Icahn revealed yesterday that he has increased his holding in the airline from around 35 per cent in a series of acquisitions from the beginning of July. In this period he has paid between \$214 and \$224 a share for around 2.7m shares, he said.

The acquisitions put Mr Icahn in a commanding position in the bid for TWA which he announced earlier this week. His offer of \$24 a share in cash and securities is worth \$1 a share more than the rival proposal from Texas Air, and Mr Icahn has demanded a reply from TWA by tomorrow.

Mr Icahn, who has been widely criticised for "raiding" companies by selling off strategic stakes rather than pushing through full takeovers, insists his offer for TWA is serious. He is being backed by the pilots and machinists' unions at the company, who have agreed to accept substantial wage reductions proposed by Mr Icahn in return for a 10 per cent equity stake.

Wall Street is not entirely convinced, however, that Mr Icahn will proceed with a full offer. He has reserved the right to withdraw the bid if he does not receive a favourable response from the TWA management, and has also drawn up an agreement with his two union backers to share any profits that might arise from a sale of his shares.

Partly reflecting these doubts, TWA shares were actively traded yesterday, with more than 2m changing hands by midday. The price fell by 3/4 to \$22 1/2 by early afternoon.

American Can buys stake in Jefferies

By William Hall in New York

AMERICAN CAN, the U.S. packaging group which has moved heavily into financial services, is taking a stake of up to 20 per cent in the Jefferies Group, a brokerage firm which specialises in trading in shares outside the major stock markets.

American Can's financial services subsidiary, Associated Madison Companies, is purchasing \$12.42m of 7 per cent convertible subordinated notes of Jefferies, convertible into common stock at \$23 per share, and buying 897,000 common shares at \$18. Some 500,000 of these shares are being bought from existing shareholders and the balance will be newly issued.

Associated Madison, which currently owns \$20m in Jefferies convertible debentures, is selling its AC Securities stock broking subsidiary to W&D Securities.

EUROBONDS

Australian sector shows strain

By Maggie Urry in London

THE SOGGY state of the Euro-Australian dollar bond market was amply demonstrated yesterday. The sector is under pressure from the volume of new paper issued and a new A\$80m (U.S.\$75m) deal for Australian Telecommunications, the state-owned monopoly, was given a higher coupon than many recent deals.

Despite competition between six banks for the mandate, the issue did not come on the most aggressive terms. Orion Royal Bank set a 13 per cent coupon for the seven-year issue with a 100% issue price. Three co-leads were brought in - Daiwa Europe, Deutsche Bank and Union Bank of Switzerland (Securities) - reflecting the geographical spread of investor interest. The bonds were trading just inside the 2 per cent total fees.

Borrowers popular with investors, especially in West Germany, are not hampered by the excess of new paper, and Commerzbank yesterday increased its five-year issue, which has a 12% per cent coupon, from A\$50m to A\$75m to meet strong demand. Meanwhile Barclays Australia's issue, launched on Monday with similar terms to Commerzbank's, was struggling well outside its fee discount.

More Australian dollar deals are expected, with Tasmania a likely borrower.

The New Zealand dollar Eurobond market is suffering even more than the Australian dollar market, retail buying is slow. Merrill Lynch launched a NZ\$50m (U.S.\$37.7m) deal for Bergen Bank with a three-

Akzo forecasts record after mid-year surge

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals and fibres group, lifted its earnings 5 per cent to Ft 203m (\$64m) in the second quarter compared with the same period a year earlier and forecasts an improvement in 1985 profits over last year's record level.

The company predicted last April that 1985 net income would at least equal last year's Ft 175m, but the 17 per cent profit in first-half earnings has apparently boosted expectations. Extraordinary gains fuelled profits in both the first and second quarters while the European synthetic fibre operations aided results in the April-June period.

Akzo said last week that it hoped to double profits in the coming five to eight years by shifting its product mix toward higher added-value goods. As part of this strategy, the

Arnhem-based company recently acquired U.S. biotechnology operations from Warner Lambert and Lito Industries and plans to sell its American Biotech textile fibre operations to BASF.

Textile fibres now account for only 13 per cent of overall sales, compared with 43 per cent in 1980 when the company was formed as a merger of a number of chemical and fibre companies. Biotechnology activities have jumped to nearly 15 per cent from 11 per cent as recently as last year.

In the second quarter, sales rose 11 per cent to Ft 447m, although operating income relative to sales slipped to 1.8 per cent from 0.3 per cent. This was due mostly to a 25 per cent plunge to Ft 17m in operating income from chemical products, where salt and heavy chemicals op-

erations were eroded by maintenance stoppages and breakdowns at several plants. Sales of special chemicals stabilised at a "satisfactory" level.

Net income rose 17 per cent to Ft 45m in the first half, boosted significantly by an extraordinary gain of Ft 35m from the sale of a 49 per cent stake in Akzo consumer products to Royal Dutch/Shell. The extraordinary gain compares with a Ft 45m extraordinary loss in the first six months of 1984.

Akzo said it is still interested in further U.S. acquisitions and remains awash in liquidity with Ft 1.3bn in cash and marketable securities compared with Ft 1.07bn at June 1984. The prime target areas are pharmaceuticals, special coatings advanced plastics and special chemicals.

Dutch fire-protection group buys 53% stake in Sici

By David Marsh in Paris

EUROPEAN Fire Protection, the Dutch-based group which controls the UK fire extinguisher company Nu-Swift, yesterday bought a 53 per cent stake in Sici, the leading French manufacturer of fire protection equipment.

The purchase, for Ffr 43.2m (\$6m), is believed to be the prelude to a bid under which Nu-Swift would take direct control of the company, banking sources said yesterday. Such a move would give Nu-Swift a powerful position on the French market, as it already controls the second-biggest French fire equipment maker, General Incendie.

The purchase by European Fire Protection, which owns 40 per cent of Nu-Swift, was made from Societe Lyonnaise des Eaux, one of the two big French private sector water utilities.

The acquisition of 53 per cent of Sici's Ffr 71.8m nominal capital was made at a price of Ffr 57 per

share. This is a substantial discount on the company's last traded share price on July 3, when the stock was suspended on the Paris bourse after a quote of Ffr 83.50.

This reflects the belief among both parties to the transaction that the Sici share price had become overvalued during a wave of buying on the bourse earlier this year.

The agreement to set a discount from the bourse price is likely to come as an unpleasant surprise for minority shareholders in Sici. Under the terms of the deal they have until September 6 to sell their shares at a guaranteed price of Ffr 53.

The deal is believed to be the biggest acquisition at a discount from the market price agreed in Paris in recent years. Apart from special factors which may have driven up the Sici price in recent months, bourse dealers generally have been warning that the level of Paris equi-

ties has been becoming unrealistically high prices have more than doubled since the end of 1982.

Sici, with turnover of about Ffr 630m, made a parent company profit of Ffr 432,000 last year after a loss of Ffr 19.8m in 1983. Apart from making general fire protection and detection equipment it also produces fire engines for specialist situations like airports and harbours and runs industrial and commercial security and surveillance operations.

The acquisition was put together by the Banque Privée de Gestion Financière and Banque Indosuez. A Sici spokesman said last night that a bid by Nu-Swift to take direct control of the company, was a possibility but nothing had yet been decided. Banking sources said Nu-Swift would need first to put into effect a full audit of Sici and make other moves to comply with London stock exchange regulations.

Control Data result revised

By Our New York Staff

CONTROL DATA, the U.S. computer group, has sharply reduced its reported earnings for last year and the second quarter of 1985 following pressure over its accounting practices from the Securities and Exchange Commission (SEC).

The effect of the revisions is to cut 1984 earnings by \$26.5m from a reported \$31.8m, or 81 cents a share, to \$5.3m, or 12 cents a share. In the second quarter of this year, reported earnings have been reduced by \$8.6m, resulting in a loss of \$4.8m, or 12 cents a share, against the profit announced earlier of \$3.8m, or 10 cents a share.

The group said yesterday it be-

lieved its accounting methods were supported by "authoritative" literature, but that the SEC, the watchdog for the U.S. securities industry, had argued the contrary.

Part of last year's revisions related to the treatment of tax benefits of net operating loss carryforwards incurred in the placement of the group's plug-compatible business. The company had recognised these benefits to the tune of \$16.8m, but the SEC said they should not be recognised until they were realised through profitable operations.

A further \$9.7m of 1984 revisions concern a switch to the equity method of accounting for Control

Data's investment in Earth Energy Systems (EES), which meant losses accumulated in the 1980 to 1983 period were charged to retained earnings. The SEC argued these losses should be charged directly to current earnings under the cost method of accounting.

Like many other U.S. computer companies, Control Data has recently been struggling to cope with the slump in the market. Last year, the company made a \$70.3m after-tax charge following its decision to pull out of the plug-compatible IBM equipment market, and only three weeks ago it announced temporary layoffs of 4,000 of its 5,700 employees.

Japanese launch two CD floaters

By Alexander Nicol in London

THE LONDON branches of two Japanese banks, Fuji Bank and Mitsubishi Bank, have each launched \$50m floating rate certificate of deposit issues with a maximum coupon - a concept used recently in the U.S. CD market as well as in floating-rate Eurobonds.

Credit Suisse First Boston is lead manager of the identical five-year issues, with Fuji International Finance as co-manager on its parent's deal.

The borrowers are paying an interest margin of 1/4 point above three-month London interbank offered rate (Libor), more than normal, to compensate CD buyers for the risk involved in the 12% per cent rate cap.

The Japanese banks effectively raise funds below Libor, however, because they sell the cap on to other borrowers, such as U.S. saving and loan institutions, which are interested in the fixed-rate protection.

Bankers say there could be more issues of this type. The potential market, however, is limited by the extent to which buyers are prepared to pack their portfolios with rate-capped paper. A spate of capped FRN issues in June dried up because of dwindling investor demand rather than a scarcity of buyers of caps.

Australian deal forms largest retailer

By Michael Thompson-Noel in Sydney

TWO of Australia's biggest retailers, G. J. Coles and Myer Emporium, are to merge, forming a powerful retailing combine with total annual sales of more than A\$10bn (U.S.\$7.1bn).

Yesterday Coles raised its offer for Myer, announced last month, to three of its own shares plus A\$5.52 cash for every five Myer shares, or a straight A\$3.25 per Myer share, against A\$3 cash originally.

The deal - Australia's biggest - is worth up to A\$1.12bn and gives the new group, Coles Myer, unchallenged dominance over other big Australian retailers like David Jones, Walmors Bond and Woolworths (no relation to the U.S. or UK groups of that name). The original offer was worth A\$985m.

The Australian retailing sector is now prospering in line with the Australian economy, which is entering its third year of robust growth.

Mr Sidney Ballin Myer, the Myer chairman, and Mr Bowen Bradbury, Coles' chairman, shook hands on the deal yesterday - the latest in a spate of takeovers and other rationalisations that are steadily transforming the Australian corporate scene.

The two companies said yesterday that Myer's biggest shareholders had signalled acceptance of the deal. These include the Myer family company (Barclay Investment, with 22.5 per cent), Mr Solomon Lew (12.9 per cent), and the Westfield property group (12.5 per cent).

Mr Bradbury will be chairman of the enlarged group, and Mr Myer deputy chairman. Mr Brian Quinn, Coles' chief executive, will be chief executive of the new company.

Laly makes record offer for control of Kosmos

By Fay Gjester in Oslo

LALY, a small, newly restructured Norwegian investment company which recently sought Nkr 250m (\$30m) of fresh capital from investors in Norway and the UK, is attempting to secure control of Kosmos, a Norwegian shipping and industrial group with a current market value of more than Nkr 2bn, 3,500 employees and 1984 turnover of Nkr 2.77bn.

In a move which has astonished the Norwegian financial community, the smaller firm has offered Nkr 236 a share for 50.1 per cent of Kosmos' 9,485,000 shares. Its present stake in the group is about 4 per cent.

The deal - if it succeeds - will be the largest ever on the Norwegian market. However, several aspects

are not clear. Laly has not said when cash payment would be made under its offer - which is open, initially, for only 14 days. Nor has it said how it would raise the funds required.

Mr Wilhelm Blystad, the older of two brothers who together have a controlling stake in Laly, told the press the company had the backing of "several" banks - without specifying which.

The banks which underwrote Laly's share issue in June had to take up a sizeable proportion of it, owing to lukewarm market interest.

The Blystad brothers have been active in a number of profitable "in-and-out" takeover deals on the Norwegian market in the past year

or so - most apparently financed by borrowing. The sums involved have, however, been much smaller than the amount needed to gain control of Kosmos.

Kosmos said yesterday it was studying Laly's offer and would make a recommendation to its shareholders after a board meeting this morning.

Trading in Kosmos equity was suspended on Monday, but resumed yesterday when 7,000 shares changed hands at between Nkr 227.50 and Nkr 222.50 - up from last Friday's traded price of Nkr 214 (par value Nkr 25). A total of 19,000 Laly shares were traded yesterday at prices between Nkr 50 and Nkr 51.50, up from Monday's Nkr 48 (par value Nkr 50).

Toyota South Africa suffers first-half loss

By Jim Jones in Johannesburg

TOYOTA, South Africa's largest motor manufacturer, slipped into loss in the first half of this year as a result of lower operating income, higher interest charges and foreign exchange losses.

Operating income before interest and tax dropped to R23.6m (\$10.8m) in the six months to June 30, 1985 from R46m in the first half of last year. Last year's interim income of R170,000 was converted into a charge of R16.7m, while the interim foreign exchange loss rose to R17m from R3m resulting in a loss before tax of R10.1m against a surplus of R43.1m.

Operating income totalled R79.9m in 1984. There was an interest charge of R17m and the year's foreign exchange loss was R32.8m.

Though market penetration rose to 27.5 per cent from 22 per cent during the first half of the year, ve-

hicle sales fell to 40,783 from 51,888. By way of comparison the country's total vehicle sales fell by 38 per cent in the first half. Toyota was particularly affected by the weakness of the rand which led to higher costs of imported components, an inability to pass higher prices on to buyers and comparatively high inventory financing costs.

Mr Albert Wessels, Toyota's chairman, says the motor industry's immediate outlook is bleak. But although he believes results will remain poor for the rest of this year, Toyota expects better trading conditions in 1986.

There was a first-half loss of 220.9 cents a share against first-half earnings of 581.5 cents in 1984. The interim dividend has been cut to 25 cents from 75 cents. In 1984 earnings totalled 1,001 cents a share and a total dividend of 180 cents was paid.

Sika Finanz plans to raise dividend

By John Wick in Zurich

SIKA FINANZ, the Swiss parent company of the building-chemicals group Sika, has announced plans to increase dividend pay-out and issue non-voting shares.

At the November 21 annual meeting of the Basel-based holding, the board will propose distribution of SwFr 25 (\$10.57) per registered share and SwFr 30 per bearer share. This compares with respective dividends of SwFr 20 and SwFr 40 for 1984-85 and follows an improvement in net profits for the year from SwFr 5.11m to SwFr 7.34m.

Shareholders will also be asked to approve the creation of non-voting participation certificates. A first tranche of SwFr 6.1m will be offered for subscription on conditions to be determined this autumn.

During 1985 the Sika group has reported "good growth" according to plans for production and sales.

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

New Issue / July, 1985



U.S. \$100,000,000

Kansallis-Osake-Pankki
(Incorporated with limited liability in Finland)

Subordinated Floating Rate Notes Due July 1997

Salomon Brothers International Limited

Kansallis-Osake-Pankki

Banca Commerciale Italiana

BankAmerica Capital Markets Group

Banque Nationale de Paris

Commerzbank Aktiengesellschaft

Credit Suisse First Boston Limited

Dresdner Bank Aktiengesellschaft

Goldman Sachs International Corp.

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Morgan Guaranty Ltd

Nomura International Limited

Shearson Lehman Brothers International

S. G. Warburg & Co. Ltd.

The Guinness brewing family of Ireland and England

has sold for
\$82,500,000 (Cdn.)

all the shares of

British Pacific Building Limited

to

Campeau Corporation

The undersigned acted as financial
advisors to the vendors.

Burns Fry Limited

July 1985

FIRST CHICAGO CORPORATION

US\$200,000,000 Floating Rate Subordinated Capital Notes Due 1997

Notice of Rate of Interest

Notice is hereby given that the rate of interest on the Floating Rate Subordinated Capital Notes due 1997 (the "Notes") issued by First Chicago Corporation for the interest period commencing August 7, 1985 and ending on November 7, 1985 has been determined to be 8 1/4% per annum. The interest payment date for such interest period is November 7, 1985. The interest amount, i.e. the amount of interest payable in respect of each US\$10,000 principal amount of Notes, for such interest period is US\$215.63.

CHEMICALBANK
As Agent Bank for
First Chicago Corporation.

THE SAITAMA BANK, LTD.

U.S. Dollars 20,000,000

Floating Rate U.S. Dollar Negotiable

Certificates of Deposit

Due 28th September, 1986

Callable at the Issuer's Option

On 28th September, 1985

In accordance with the terms set out

in the Certificates, The Saitama

Bank, Ltd., have elected to exercise

their call option. The Certificates will

therefore mature on 28th

September, 1985 and payment will

be effected on the principal amount

plus interest at 9 1/4% p.a. per annum

for the interest period ending 28th

September, 1985 at The Saitama

Bank, Ltd. (London Branch).

Samuel Montagu & Co. Limited

Agent Bank

7 August 1985

INTERNATIONAL COMPANIES and FINANCE

Laura Raun on the ambitious plans of a Dutch photo-copier manufacturer **OCE looks to the office of the future**

OCE-VAN DER GRINTEN has spent much of its long life as a small company battling with some of the world's corporate giants. Through a reputation for superb reliability and innovative products, the Dutch photocopier maker has captured nearly a fifth of the world design engineering market against names like Xerox and Ricoh. In business office copying, OCE claims a respectable 8 per cent of the European medium to high-volume market alongside such competitors as IBM, Xerox and Canon.

Now the company, based at Venlo, near the German border, is breaking into the office automation market, where it is up against some of the same companies, together with others including Digital Equipment and Data General. An important question for OCE's future is whether it can duplicate its own strategy of carving out a niche with outstanding dependability, technology and service.

Heavy research and development spending

The company, with sales of Fl 1.8bn (\$560m) in 1984, was founded more than 100 years ago by a pharmacist named Lodewijk van der Grinten who provided yellow dye to a marine painter called Van Goyen. By the turn of the century, operations had expanded into dyeing copying for design engineering offices. This design process, in which a chemical retains the image to be copied, contained only "one component," giving rise to the name "OCE."

The van der Grintens, a scientifically inclined family who still keep a small stake in the company, have encouraged heavy research and development, which amount to nearly 5 per cent of sales. The traditional design process has been highly developed to incorporate automation, while plain paper copiers using electrophotography have also been introduced. By steadily improving products and organising a direct sales and service network in 90 countries, OCE has reaped notable customer loyalty.

OCE only entered office copying in 1973, but was nonetheless the first European to

design, manufacture and sell its own plain paper copier. In clearly targeting medium and high volume sectors, OCE has efficiently marshalled modest resources to provide clients with trustworthy, functional machines. "Ours are workhorses," with fewer "tooters and bellows" than competitors' models, says Mr J. J. Kaptein, chairman.

The company established a beachhead in the U.S. two years ago with help from a Dutch venture capital company and already claims 2 per cent of that \$25bn market. Even in the U.S., where glossy advertising and slick marketing reign, OCE is proceeding with Dutch prudence: rather than spending lavishly on advertising, the company offers money-back guarantees on copier "up-time." Establishment of a solid sales and service organisation is taking precedence over high-pressure marketing.

OCE's modular system has been designated as "boxy," per its copiers, having won a string of industrial design awards. Simplicity of form and colour have been intentionally chosen to make the machines "environmentally compatible," while details are designed to give visual unity. For example, most dimensions are functions of 12 mm, which is about the finger width needed for a basic on-off button.

The office copying market is growing at 10-15 per cent a year (design engineering is fairly static), but OCE is setting its sights even higher. In 1980 it entered the highly competitive office automation market with a phased approach which has broadened slowly from a stand-alone word and graphics user, integrated system. Office automation accounts for only 3 per cent of OCE's sales, though eventually it could expand into a third sector alongside design engineering and business office copying, says Mr Kaptein.

Familiarity with office documents

OCE believes its thorough familiarity with office documents and design engineering is a key to success. Coupled with its historical emphasis on technology, will enable it to slice out a piece of the office automation market. "Our big brothers in competition are coming from a data background and are not as active as we are in the office," says Mr Kaptein, a 15-year OCE veteran.

"We're coming from a paper reproduction background and we're sure paper will survive in the office of the future."

One of those "big brothers" is Rank Xerox, which has a plant only a few kilometres away in Venray. Rank Xerox, too, is moving into office automation from its stronghold in copying.

OCE buys both hardware and software from CPT, the U.S. computer maker, as well as developing products in-house. The OCE work station, which is compatible with IBM and Digital equipment products, can be linked into a network

Systems, a London-based market research firm, estimates that the European office automation market totals more than \$50bn and is nearly doubling each year.

OCE recently expanded into Sweden and Norway by buying CPT's distribution rights in those countries and in February it took a one-quarter stake in BSO, a leading Dutch software house. But the caution with which OCE has eased into the market has left it a laggard, according to Frau Hilde Uhle, a Munich-based analyst with Datatec, the U.S. market research firm. "Unless they

become a "mainstream player," he says, it still could carve out a niche among customers "buried solutions," such as doctors and dentists.

The odds seem to be stacked against OCE, but if the Dutch company decides to pull out of the office automation market, it would probably do so only after a judicious appraisal of all the factors. OCE did retreat from the computer-aided design/computer-aided manufacturing (CAD/CAM) market in the past couple of years when its West German partner, Dietz, was acquired by Norsk Data. OCE remains interested in CAD/CAM but only in conjunction with another company which could provide the vast resources needed to break into the market.

From its modern wood and glass headquarters on an idyllic site along the Maas river, OCE has steered a solid course through economic turmoil and international competition. Since Mr Kaptein took over as chairman in 1974, earnings have grown steadily at an average of about 15 per cent a year, while return on equity has been about 8 per cent.

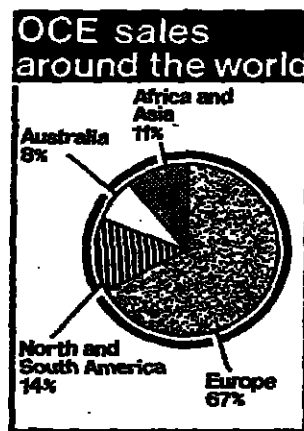
The company has been sheltered from Holland's particularly sluggish growth because nearly 90 per cent of sales originate abroad. Profitability, however, has stagnated around 3 1/2 per cent.

The equity-to-assets ratio has remained around 40 per cent, with a 200,000-share offering in the U.S. last year. Many of the company's investments are financed internally, with most of the costs of rental copiers, for example, offset by depreciation.

Striving for high standards

OCE strives for high production standards through "quality circles" of 8-10 workers who follow each other from start to finish and periodically change jobs. Rock music wafts from radios as employees go about their tasks in neat factories, with big windows facing the Venlo woods.

"We are a dedicated, serious company making quality products that work properly," summarises Mr Kaptein, who will retire in three years. His main goal before stepping down is to create a "viable presence in the U.S." an ambitious yet not unattainable objective.



TRADING RESULTS OVER SIX YEARS

	Sales Fl bn	Pre-tax profit Fl m
1979	1.3	75.9
1980	1.43	67.4
1981	1.44	62.8
1982	1.45	61.3
1983	1.66	80.4
1984	1.83	96.4

with access to a microprocessor and to telecommunication lines for data base retrieval. Software packages include a scientific programme with molecular diagrams and symbols, and administrative programs for notaries, architects and doctors.

A laser printer will be introduced next year which will interface with OCE and other word processors and which promises unsurpassed clarity, speed and flexibility. Above all, OCE is touting careful training, consultation and technical service for confused customers trying to create the "office of the future."

Office automation is the fastest growing area of OCE's R and D spending, absorbing about one-quarter of the total Fl 88m budget and one-fifth of the 750 R and D employees. But this is the ante for a high stakes game in which hardware and software can become white collar workers having access to an "electronic key-board." While OCE may not

have a concept that really will allow them to leapfrog ahead, it will be very difficult," she warns.

Frau Uhler believes OCE's biggest handicap is its link with CPT, whose computers are too slow and limited in their networking capacity. "No matter how much they're adding software... it will be difficult to overcome the disadvantages of CPT," she asserts. Another analyst with Datatec, Ms Linda O'Keefe, adds that OCE must have a pricing strategy that allows a profit on support services, "which can eat you alive."

Mr Wharton, who numbers CPT among his clients, nevertheless contends that CPT is the "best in breed" and is improving its network capability. He also argues that the office personal-computer market has only begun to take off, with less than 5 per cent of European white collar workers having access to an "electronic key-board." While OCE may not

All of these securities have been sold. This announcement appears as a matter of record only.

July, 1985



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Floating Rate Subordinated Capital Notes Due 1987

Holders of Notes of the above issue are hereby notified that for the final Interest Sub-period from 8th August, 1985 to 9th September, 1985 the following will apply:

1. Interest Payment Date: 9th September, 1985
2. Rate of Interest for Sub-period: 8 1/4% per annum
3. Interest Amount payable for Sub-period: US\$369.44 per US\$50,000 nominal

Total Interest Amount payable: US\$1042.18 per US\$50,000 nominal

The following Interest Sub-period will be from 9th September, 1985 to 8th October, 1985.

Agent Bank
Bank of America International Limited



Shawmut Corporation

U.S. \$50,000,000

Floating Rate Subordinated Notes Due 1997

Notice is hereby given that the rate of interest has been fixed at 8 1/4% and that interest payable on the relevant Interest Payment Date November 7, 1985 against Coupon No. 3 in respect of US\$10,000 nominal of the Notes will be US\$220.42

August 7, 1985, London

By: Citibank, N.A. (CSS Dept.), Agent Bank

CITIBANK

Stanbic profits rise 25% in first half

BY JIM JONES IN JOHANNESBURG

STANDARD BANK Investment Corporation (Stanbic), South Africa's second largest banking group and the 42 per cent-owned arm of Standard Chartered Bank PLC, increased its pre-tax profit by 24.9 per cent in the six months ended June 30 1985, despite a significant slowing in the rate of growth of advances.

The first half's operating profit rose to R1.14bn (\$64m) from R722.2m, but a significantly higher cost of funds increased the first half's interest bill to R1.04bn from R940.4m, which left the interim pre-tax profit at R191.7m against R154.4m.

In 1984, pre-tax profit totalled R215.8m. In Johannesburg yesterday Dr Conrad Strauss, the group's managing director, said the first half's profit advance was achieved against a background of restrictive

measures introduced by the authorities last August to curb the growth of money supply and bank credit. In the six months to end June, advances to customers rose by 5.2 per cent to R13.86bn from R13.18bn at the end of December 1984. In the first half of 1984 advances increased by 22 per cent to R10.57bn on June 30.

Dr Strauss says the deteriorating financial position of many companies and individuals led to a significant deterioration in Stanbic's bad-debt experience. The group's hire-purchase division was particularly badly affected while the commercial and merchant banking arms improved their profits.

First-half earnings increased to 92 cents a share from 83 cents and the interim dividend has been lifted to 20 cents from 18 cents.

BASE LENDING RATES

A.B.N. Bank	11 1/2%	Hill Samuel	11 1/2%
Allied Dunbar & Co.	11 1/2%	C. Hoare & Co.	11 1/2%
Allied Irish Bank	11 1/2%	Hongkong & Shanghai	11 1/2%
American Express Bk.	11 1/2%	Johnson Matthey Bkrs.	11 1/2%
Henry A. Bacheler	11 1/2%	Kawley & Co. Ltd.	11 1/2%
Auro Bank	11 1/2%	Lloyds Bank	11 1/2%
Associates Cap. Corp.	12%	Edward Manson & Co.	12 1/2%
Banco de Bilbao	11 1/2%	Megraw & Sons Ltd.	11 1/2%
Bank of Alexandria	11 1/2%	Midland Bank	11 1/2%
Bank of Cyprus	11 1/2%	Morgan Grenfell	11 1/2%
Bank of India	11 1/2%	Mount-Credit Corp. Ltd.	11 1/2%
Bank of Scotland	11 1/2%	National Bk. of Kuwait	11 1/2%
Banque Belge Ltd.	11 1/2%	National Girobank	11 1/2%
Barclays Bank	11 1/2%	National Westminster	11 1/2%
Beneficial Trust Ltd.	12%	Northern Bank Ltd.	11 1/2%
Burl. Bank of Mid. East	11 1/2%	Norwich Gen. Trust	11 1/2%
CL Bank Nederland	11 1/2%	People's Trust	12 1/2%
Canada Permanent	11 1/2%	Pit. Finance Ltd. (UK)	12%
Cayzer Ltd.	11 1/2%	Provincial Trust Ltd.	12 1/2%
Cedar Holdings & Co.	11 1/2%	R. Raphael & Sons	11 1/2%
Charterhouse Japbco	11 1/2%	Roxburgh Guarantee	12%
Choulatons	11 1/2%	Royal Bank of Scotland	11 1/2%
Citibank NA	11 1/2%	Royal Trust Co. Canada	11 1/2%
Citibank Savings	11 1/2%	Standard Chartered	11 1/2%
City Merchants Bank	11 1/2%	Standard Chartered	11 1/2%
Clydesdale Bank	11 1/2%	Standard Chartered	11 1/2%
C. E. Coates & Co. Ltd.	12%	Standard Chartered	11 1/2%
Comm. Bk. N. East	11 1/2%	Standard Chartered	11 1/2%
Consolidated & Credit	11 1/2%	Standard Chartered	11 1/2%
Co-operative Bank	11 1/2%	Standard Chartered	11 1/2%
The Cyprus Popular Bk.	11 1/2%	Standard Chartered	11 1/2%
Duncan Lawrie	11 1/2%	Standard Chartered	11 1/2%
E. T. Trust	11 1/2%	Standard Chartered	11 1/2%
Foster Trust Ltd.	12%	Standard Chartered	11 1/2%
First Nat. Fin. Corp.	12%	Standard Chartered	11 1/2%
First Nat. Secs. Ltd.	12%	Standard Chartered	11 1/2%
Robert Fleming & Co.	11 1/2%	Standard Chartered	11 1/2%
Robert Fraser & Ptns	12 1/2%	Standard Chartered	11 1/2%
Grindlays Bank	11 1/2%	Standard Chartered	11 1/2%
Guinness Mahon	11 1/2%	Standard Chartered	11 1/2%
Hambros Bank	11 1/2%	Standard Chartered	11 1/2%
Heritable & Gen. Trust	11 1/2%	Standard Chartered	11 1/2%

U.S. \$250,000,000



Crédit Lyonnais

Floating Rate Notes Due 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 7th August, 1985 to 7th November, 1985 the Notes will carry an Interest Rate of 8 1/4% per annum. The interest amount payable on the relevant Interest Payment Date which will be 7th November, 1985 is U.S. \$217.22 for each Note of U.S. \$10,000.

Credit Suisse First Boston Limited
Reference Agent

Taiyo Kobe Finance Hongkong Limited

U.S. \$100,000,000
Guaranteed Floating Rate Notes due 1997

Guaranteed as to payment of principal and interest by

The Taiyo Kobe Bank, Limited

For the three month period 7th August 1985 to 7th November 1985 the Notes will carry an interest rate of 8 1/4% per annum with a coupon amount of US\$217.22 per US\$10,000 Note and US\$5,430.56 per US\$250,000 Note, payable on 7th November 1985.

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INTL. COMPANIES and FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 6.

U.S. DOLLAR	Issued	Old	Other	Change	Yield
STRAIGHTS					
Ames Corp 10% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 12% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 14% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 16% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 18% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 20% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 22% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 24% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 26% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 28% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 30% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 32% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 34% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 36% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 38% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 40% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 42% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 44% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 46% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 48% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 50% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 52% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 54% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 56% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 58% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 60% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 62% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 64% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 66% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 68% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 70% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 72% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 74% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 76% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 78% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 80% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 82% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 84% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 86% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 88% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 90% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 92% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 94% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 96% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 98% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 100% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 102% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 104% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 106% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 108% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 110% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 112% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 114% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 116% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 118% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 120% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 122% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 124% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 126% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 128% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 130% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 132% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 134% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 136% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 138% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 140% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 142% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 144% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 146% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 148% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 150% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 152% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 154% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 156% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 158% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 160% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 162% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 164% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 166% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 168% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 170% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 172% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 174% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 176% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 178% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 180% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 182% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 184% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 186% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 188% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 190% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 192% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 194% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 196% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 198% 80	100	100 1/2	100 1/2	+ 1/2	10.01
Ames Corp 200% 80	100	100 1/2	100 1/2	+ 1/2	10.01

Leucadia in \$710m bid for Intergroup

By William Hall in New York

LEUCADIA National, a New York-based financial conglomerate which was waging a long-running proxy battle against National Intergroup, has now made a \$710m offer. Leucadia, which in terms of stock market capitalisation is a third the size of National Intergroup, has offered \$35 per share for all National's shares other than the 9 per cent stake it already controls.

Leucadia, which has twice lost proxy fights aimed at derailing National Intergroup's reorganisation plans, says it made the proposal "because it feels compelled to protect its substantial investment in National Intergroup."

Last week National Intergroup announced the sale of its First National Savings subsidiary to Ford for \$400m and then announced that it was paying \$17m in cash and stock for Permian, a Houston-based pipeline company controlled by Mr William Simon, a former U.S. Treasury Secretary who has a reputation as a deft financier.

Leucadia said it had hoped National Intergroup would have distributed the proceeds of the First National sale to shareholders. However, it has concluded that with the Permian acquisition, National Intergroup intends to reinvest a substantial portion of its cash resources in other businesses.

It said it was disappointed that National Intergroup's board had approved the issue of a significant amount of the company's common stock to Permian's stockholders at a time when Leucadia believes the current market price of National Intergroup shares does not "properly reflect the underlying value of National Intergroup's assets."

Leucadia's offer is conditional on the completion of Ford's acquisition of First National and the abandonment of the Permian acquisition.

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E.D.+F. MAN INTERNATIONAL FINANCIAL MARKETS DIVISION

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The Financial Markets Division of E.D. & F. MAN INTERNATIONAL has expanded its clearing facilities in becoming a member of the world's largest clearing corporation, clearing options on the following exchanges.

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Sugar Quay, Lower Thames Street,
London EC3R 8DU
Telex London 885431

Hill Samuel to open office in Thailand

By David Lascelles in London

HILL SAMUEL, the UK merchant bank, has received permission to open what it claims is the first merchant banking representative office in Thailand.

The office will open on September 16 and will be headed by Mr David Tjoe, a Thai national with 14 years experience of the Thai economic and financial community.

Thailand strictly controls the entry of foreign banks and has not granted a new foreign branch licence in over 30 years. Hill Samuel needed a licence even though it is only opening a representative office.

Mr Brian Quick, head of Hill Samuel's commercial banking division, said yesterday that the virtual absence of merchant banks in Thailand meant there were good business opportunities. Hill Samuel intends to engage in capital markets activity and the finance of trade and commerce.

The Thai central bank was, according to Mr Quick, interested in Hill Samuel's offer to help develop Thailand's embryonic capital markets. Hill Samuel also said that through its alliance with Wood Mackenzie, the stockbrokers, it could interest UK investors in opportunities that become available in Thailand.

Profits fall at mining group

By Kenneth Marston in London

A FURTHER fall in profits is announced by the Malaysian tin-producer Simeida Mines. For the year to March 31 they amount to \$5814,000 (U.S.\$364,000), equal to 27 cents per share, compared with \$61,500 in the previous year. The downturn reflects lower sales.

The final dividend is reduced to 30 cents, making a total of 43 cents against 75 cents, all payments being less tax at 40 per cent.

Australia's Southern Resources says it has achieved its initial minimum production ore-reserve target at its 30 per cent-owned Western Tennant's venture at the Mount Pleasant gold project.

The other partners are: Square Gold and Minerals (25 per cent), Technomin Australia (25 per cent), Mt Pleasant Gold Trust (12 per cent) and Geometales (7 per cent).

Gemstar ahead

By Robert Gibbons in Montreal

GEMSTAR, the financial services, property and construction group which is bidding C\$528m (U.S.\$391m) for effective control of Canada Trustco, reports a six-month net profit of C\$35.9m or C\$1.23 a share against C\$40.6m or C\$1.04 a share, on revenues of C\$1.6bn against C\$1.5bn.

Canada Trustco's management has not yet stated publicly its attitude to Gemstar's offer.

ADVANCE REDEMPTION NOTICE TO ALL HOLDERS OF

Kuwaiti Dinars 7000000

RICHARDSON-VICKS OVERSEAS FINANCE N.V.

12 1/4% GUARANTEED BONDS DUE 1987 (OPTIONAL REDEMPTION BY FINANCE)

In accordance with Clause 5(A) of the description of the bonds in the placing memorandum dated March 30, 1982, the Borrower has given notice to redeem the whole issue as on 25.9.1985 at 101% plus accrued interest up to redemption date from 1.4.85. To exercise the option the holders of bonds shall deposit their bonds with all unexpired coupons with the Fiscal Agent or any of the Paying Agents from whom payment is required.

CONTACT

PRINCIPAL PAYING AGENT

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Omar Bin Al Khattab Street, Al-Sharq Area,
P.O. Box 5665, Safat, Kuwait.

PAYING AGENTS

Citibank (Luxembourg) S.A.
16 Avenue Marie Therese
Luxembourg

Citibank N.A.
Avenue de Tervuren 249
Brussels, Belgium



الشركة الكويتية للتجارة والمقاولات والاستثمارات الخارجية (س.أ.ك.)
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Crocker National Corporation

has been acquired by a wholly-owned subsidiary of

Midland Bank plc

The undersigned assisted in the negotiations and acted as financial advisor to the Special Committee of the Board of Directors of Crocker National Corporation in this transaction.

Shearson Lehman Brothers Inc.

August 7, 1985



Istituto Mobiliare Italiano



Istituto per lo Sviluppo Economico dell'Italia Meridionale

US\$51,034,000
Medium Term Loan Facility

Arranged and provided by

Citicorp International Bank Limited
First Chicago Limited
The National Bank of Kuwait S.A.K.

Agent

The National Bank of Kuwait S.A.K.
London Branch
LICENSED DEPOSIT TAKER



UK COMPANY NEWS

Guinness rebuts Bell's eleventh hour defence

BY LISA WOOD

THE PUBLICATION by Arthur Bell and Sons of its defence document against the £300m bid by Guinness added further fuel yesterday to the acrimonious battle between the two companies.

Bell released the document— with a profit forecast of £37.5m for the year to June 30 1985 compared with £35.17m last year—just 30 minutes before the midnight deadline on Monday night as required by Takeover Panel rules.



There was confusion yesterday as to why this occurred, with some suggestions that Bell had encountered technical problems in finishing the document, although the Takeover Panel confirmed it was not involved.

Mr Raymond Miquel, chairman of Arthur Bell said: "There was lots of detail that had to be properly checked." However, he

said the main reason was a "tactical one," as advised by his bankers, Henry Auld and S. G. Warburg. In the event, the delay embarrassed Guinness which had committed itself to half page advertisements in the national press yesterday in which it commented on the defence document expected 24 hours earlier.

Guinness, not to be outflanked, worked until early yesterday morning to prepare a statement on the defence document. Yesterday was the third acceptance deadline on its offer for Bell. It is understood the offer period will be extended.

The defence document said the profit forecast for the year to June 1985 would have been greater "had we not been building the platform for continuing growth in the years to come."

Mr Miquel said in his statement that he had forecast dividends up to 50 per cent on those for 1984. He was now recommending a final dividend of 6.45p (net) per share making a total dividend for the year of 8p



Mr Raymond Miquel (left) and Mr Ernest Saunders

(net) per share, an increase of 66 per cent over dividends for the previous year.

The rest of the defence document flashed out arguments Bell has been making in its defence since Guinness launched its bid in mid-June.

Mr Miquel said Guinness, in accusing his company of being a "one man band" completely misunderstood Bell's management approach. Bell's team of highly trained executives in each area of operation was the right approach for the future, as

opposed to the traditional pyramid style of management, said Mr Miquel. He said Bell's marketing policy was clear, consistent and above all successful. It was to concentrate on the premium high quality and profitable end of the Scotch market.

Guinness had alleged that Bell was unusually dependent on the UK market. Mr Miquel said 47 per cent of all sales volume in the year ended 30 June 1985 were overseas and exports for the financial year increased by 14 per cent in value and 19 per cent in volume compared with the previous year.

Guinness, in its statement yesterday, said: "Bell's has produced a disappointing defence which reveals unchanged earnings per share for the third year running—and yet again dwells on the past instead of providing a strategy for the future." There was no indication of how Bell would reverse the decline of its UK business—the main profit source—or did it seem to understand how to tackle the crucial U.S. market.

The proposed dividend increase is wholly unjustified by Bell's ex-growth earnings which

have been virtually unchanged over the past three years. The unsustainable increase in dividends highlights the board's willingness to continue to milk the whisky brands at a time when re-investment and re-focusing is desperately needed."

Guinness, under the rules of the Takeover Panel has to decide this week whether or not to raise its bid, after consistently saying that its offer is a fair and full one. Last week the City was surprised by an announcement from Ladbroke, the leisure and



gaming group, that it had acquired a 3.5 per cent shareholding in Bell and that it had no intention of accepting the current Guinness offer. Guinness is offering nine of its shares for 10 of Bell's with a 22p cash alternative.

Guinness closed last night at 259p, up 6p, valuing Bell at 233p. Bell closed at 240p. See Lex.

Unitech over £15m despite pressure on trading margins

Unitech achieved a 14.6 per cent increase in 1985 profits despite lower contributions from three of its four main divisions. The group result, up from £13.11m to £15.02m pre-tax, mainly reflected an improvement in electronic component marketing where profits rose from £8.2m to £9.2m.

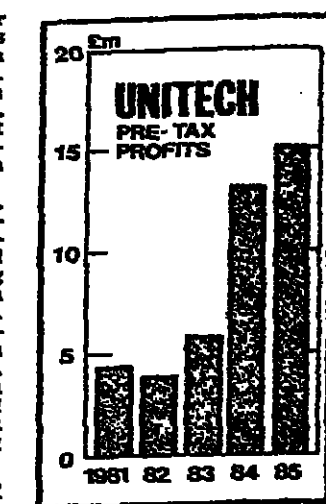
Component manufacturing, electronic equipment and sub-units, and industrial controls—despite higher sales—all returned less. Other operations, including the holding company, added a higher £825,000, against £205,000.

The largest fall was in electronic equipment as sub-units with sales of £20.95m, against £26.15m, producing profits of £2.41m (£2.58m). Industrial controls fell 8.7 per cent to £1.45m pre-tax, mainly reflecting a manufacturing fall of 4.9 per cent to £2.11m.

Total group sales to June 1, 1985, surged by just under 33 per cent to £264.71m but, with margins down by one full point, the advantage in trading profits was lower at 19.2 per cent to £17.45m. In addition, interest charges soaked up a higher £2.43m (£1.53m).

Earnings per share emerged at 19.1p (18.3p) and the final dividend is being set at 10p from £2.06p to £1.75p, making a higher total of 5.63p (£4.90). Tax came to £1.35m (£1.54m) and minorities accounted for £23,000 (£30,000). The £908,000 debit (credit £267,000) relating to disposal of subsidiaries.

The market has taken Unitech's end of year results with expectations very well considering the hammering some electronic stocks have received of late. The shares were ahead 17p to 232p, reflecting a 10 per cent rise in the trading losses of Datapoint and Fibre Resins to formulate forecasts should be resisted. For it



is not yet possible to talk with any confidence of an upturn in components. Although Unitech's component division's sales may well see 10 per cent growth this year, the pressure on margins almost half a point year on year seems likely to continue at least for the first half. On the manufacturing half of the group, a lack of strategy becoming apparent—although the disposal of Datapoint and the closure of Fibre Resins amply demonstrates that senior management will act quickly to stem losses. This year could well see a couple of minor divestments matched by some small purchases. Both the German systems business and the minority stake in Holmberg in the U.S. may need a closer examination for future prospects. For this year and not allowing for any upturn—analysts are looking for £16m pre-tax, which puts the shares on a prospective multiple of 11 with a 40 per cent tax charge still a little too rich for the pessimist.

Valve division lifts Rotork

WITH A strong performance from the valve actuator division, particularly in the U.S., Rotork improved taxable profits by 10 per cent in the first half of the 1985 year.

The performance—up from £1.9m to £2.1m pre-tax—offset lower figures from the group's three smaller divisions, and directors consider that it "reflects the resilience derived from our truly international spread of operations."

They add that the Jacques division has recently strengthened its management to help in marketing new products which have been introduced during the

"temporary lull" in North Sea activity.

They expect a "modest improvement" from existing divisions in the second half, when they will include the results from the Protech acquisition for the first time, and add that the group's cash and balance sheet position remains strong.

The interim dividend is lifted from 2.04p to 2.1p which will absorb £67,964 (£401,473), with earnings per share standing at 6.1p (5p).

Turnover was marginally ahead at £13.83m, and tax came to £260,000 (£280,000). Net profits came out at £1.4m against £1.03m.

comment

Rotork's core business of valve actuators may be working in a market dominated by inertia but it still remains a reliable generator of cash and profits, certainly this time round it has provided all the group's growth.

The three smaller companies, Jacques, Ludlum Systems and Evans, which together accounted for about a quarter of last year's profit, turned in disappointing interim figures. All three should do marginally better in the second half and that should underpin the core business, which does not enjoy the effects of a stronger pound on its international sales. The results of the closing half will, however, be dominated by the effect of the new acquisition, Protech, which will make an initial five-month contribution that could be worth £700,000 or so. That should lift the group total to £5.3m for the first half of 1985/86.

Protech's revenue is the cornerstone of a new instrumentation division that will eventually rival valve actuators and before long can be expected towards that end. Given the possibilities there, the shares at 114p, look unduly cautious.

John Brown's £70m package approved

By Andrew Arends

John Brown's shareholders yesterday approved a £70m financial reconstruction of the debt-laden engineering group.

Resolutions in favour of the reconstruction package, which includes a £12.6m rights issue, were approved overwhelmingly at an EGM held in London.

Under the arrangements, Trafalgar House is taking a 29.9 per cent stake in John Brown for £20.2m. The reconstruction also involves an agreement by John Brown's leading bankers to convert £37.2m of loans into preference and ordinary shares, leaving them with around 10 per cent of the enlarged share capital.

Brown's net borrowings will fall from £25 per cent of shareholders' funds to 45 per cent. Sir John Cuckney, chairman of John Brown, said yesterday that the board attached considerable importance to the arrangements with Trafalgar House.

John Brown had much to gain from the arrangements, he claimed, particularly in the areas of international construction and in the oil and gas engineering field. John Brown, he said, was "too small to survive on its own."

Over the past four years John Brown has suffered a decline in sales of more than £75m, and it has sold many subsidiaries including its UK machine tool companies.

Its shares closed unchanged yesterday at 30p.

LEP has 42% stake in NGC

LEP Group, the international freight forwarder, now owns 42 per cent of the common stock of National Guardian Corporation, a central station airline business, following its flotation on the U.S. over-the-counter market.

LEP said yesterday the cumulative cost of this investment was \$24.3m (£18.2m) in an average price of \$7.50 per share. The shares were suspended last week at 53p. The issue will raise £2.1m after expenses, and capitalises the company at £22m.

The proceeds will be used to repay short-term borrowings, and will reduce gearing to 74 per cent, the lowest in the company's history.

Anglo United was a shell company into which the present directors, Mr David McEldin and Mr Denis Bell, injected their own cash mining interests in 1982. Anglo is now the second largest open-market mining company in the UK not including coal contractors which work primarily for the NCB.

GrandMet loses U.S. tobacco contract to BAT

BY LISA WOOD

Liggett & Myers, the troubled U.S. subsidiary of Grand Metropolitan, has lost a major cigarette manufacturing contract which could cut production by up to one-third.

Grand Metropolitan, chairman of Liggett & Myers, said that Liggett, manufacturer of cigarettes, soft drinks, pet foods and sporting goods, had selected the effects of the Products Co. with own label cigarettes. The contract has gone to Brown and Williamson, the BAT Industries subsidiary, a major competitor of Liggett.

Liggett has some 3.5 per cent of the U.S. tobacco market and it is understood that the loss of the contract with Generic Tobacco could reduce it to 2 per cent.

Mr Grinstead said: "Generic is a middle man that sold to the retail trade. We do not anticipate

that the same volume of cigarettes will be lost at the retail end which we can reach by other routes."

Grand Metropolitan paid £870m five years ago for Liggett, of which Liggett & Myers, maker of Chesterfield and Lark cigarettes, is the tobacco division. The group, however, has been keen to dispose of L & M which has been hard hit by the war in the U.S. between "generic" non-branded cigarettes—a market which Liggett pioneered. A management buy-out agreement was struck but it collapsed last July.

Much of Liggett & Myers' growth in the last few years has been from generic cigarettes, an intensely competitive market. Liggett & Myers made no contribution to trading profits of Grand Metropolitan for the half year to March 31 1985.

Anglo United placing gives a £28m value

BY LUCY KELLAWAY

A prospectus is published today for a placing of shares in Anglo United, an open-market mining company which is getting a full listing on the stock market.

The shares, which are quoted on the Toronto stock exchange, had previously been dealt in London under Rule 533.

The placing by Robert Fleming & Co. of 7.5m shares at 34s each, the shares were suspended last week at 53p. The issue will raise £2.1m after expenses, and capitalises the company at £22m.

The proceeds will be used to repay short-term borrowings, and will reduce gearing to 74 per cent, the lowest in the company's history.

Anglo United was a shell company into which the present directors, Mr David McEldin and Mr Denis Bell, injected their own cash mining interests in 1982. Anglo is now the second largest open-market mining company in the UK not including coal contractors which work primarily for the NCB.

At the placing price the shares are on a prospective p/e multiple of 15.7 times, and the yield is 4.4 per cent.

Dealings begin on August 12.

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STEAD & SIMPSON plc

FOOTWEAR RETAILERS AND MOTOR DEALERS

Another Record Year

Salient points from the statement by the Chairman, Mr. W.R.F. Chamberlain for the year to 31st March, 1985.

1984/85	1983/84
TURNOVER	
Footwear retailing	37,256
Motor trading	28,913
Party plan	676
	66,845
PROFIT BEFORE TAX	
Footwear retailing	4,649
Motor trading	681
Party plan (loss)	(104)
	5,226
PROFIT AFTER TAX	
Extraordinary items—Including Property Profits	2,888
	2,217
Ordinary and 'X' Ordinary Dividends	
Earnings per share—before tax	6.60p
	5.50p
	18.15p
	14.04p

- * Record profits for the year with turnover, profit and dividends all increased.
- * Earnings per share have increased by 23%.
- * Footwear turnover increased by 12%. Fourteen new branches were opened. In three towns branches were re-located to better positions and two other branches were considerably extended. Seven branches were closed. We have plans to open 9 new branches and re-locate 6 in 1985/86.
- * Motor dealerships are showing satisfactory results despite fierce competition.
- * Footwear turnover for the first 11 weeks of the current year has shown an increase of 7% whereas motor dealerships have shown an increase of 3% over the same period.

JOHN BROWN PLC

(Registered in England—No. 1125)

Allotment of 139,667,680 'A' Ordinary Shares of 25p each at par (50,367,680 to existing ordinary shareholders by way of rights, 80,800,000 to Trafalgar House Public Limited Company and 8,500,000 to the bankers to John Brown PLC)

Authorised	Share Capital	Allotted and to be allotted fully paid
£32,738,992	in Ordinary Shares of 25p each	£32,738,992
£56,186,008	in 'A' Ordinary Shares of 25p each	£56,186,008
£24,889,000	in 3.5% Cumulative Redeemable Preference Shares of £1 each	£24,889,000
	in 3.5% Convertible Cumulative Redeemable Preference Shares of £1 each	
£10,186,000		£10,186,000

The Council of The Stock Exchange has admitted to the Official List all of the 'A' Ordinary Shares of 25p each in John Brown PLC.

Listing Particulars relating to John Brown PLC and the 'A' Ordinary Shares of 25p each are available in the Extel Statistical Service and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and bank holidays excepted) up to and including 13 September, 1985 from the registered office of John Brown PLC, John Brown House, 20 Eastbourne Terrace, London W2 6LE and from the offices of Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT. Copies may also be obtained until the close of business on 9 August, 1985 from the Company Announcements Office, The Stock Exchange, PO Box 119, Throgmorton Street, London EC2P 2BT.

Lazard Brothers & Co., Limited, 21 Moorfields, London, EC2P 2HT

Rowe & Pitman, 1 Finsbury Avenue, London, EC2M 2PA

7 August, 1985

Warnford Investments PLC

Highlights from the Review by the Chairman, Mr. G. Ross Goobey for the year ended 25th December 1984.

PROFITS
Turnover of the Group increased by 10.6% to £5,505,080 and net revenue before tax amounted to £4,205,605.

DIVIDEND
Dividends increased to 14.5p per share (1983—13.5p).

PROSPECTS
Renovation to a very high standard is complete at 35/38 Portman Square. Elsewhere new lettings and rent reviews, with very little vacant space should result in steady increase in revenue in 1985 and foreseeable future.

Salisbury House, London EC2

LADBROKE INDEX
552-556 (+13)
Based on FT Index
Tel: 01-427 4411

BOARD MEETINGS

TODAY	Aug 22	Aug 23	Aug 24	Aug 25	Aug 26	Aug 27	Aug 28	Aug 29	Aug 30	Aug 31
Amalgamated Metal Products										
Grainland Exploration and Finance										
Guest Ven and Nettlefolds, Securcor										
Security Services										
Flintco: Sidney C. Banks, Benzema										
Crispe: Hambro, Property										
Security Investment Trust, TR City of										
London Trust										
INTERIM DATES										
Bainbow Eves	Aug 15	Aug 16	Aug 17	Aug 18	Aug 19	Aug 20	Aug 21	Aug 22	Aug 23	Aug 24

David Dixon Group plc

	1985	1984
£000's	£000's	£000's
Turnover	15,886	14,302
Group Profit	702	181
Net Profit after tax	628	239
Earnings per share	33.9p	12.9p
Total Ordinary Dividend	6.0p	4.5p

- ★ Profits almost quadrupled
- ★ Dividend up by 33½%
- ★ Record order book

Martin Ford PLC

Famous for Separates

Interim unaudited results for 26 weeks ended 1st June, 1985.

	Half-year 1985	Half-year 1984	Year 1984
Turnover (including VAT)	3,634,569	3,464,026	7,285,563
Operating (Loss)/Profit	(124,889)	(214,340)	(65,943)
Investment Income	7,516	14,667	15,158
Loss on Ordinary Activities before Taxation	(117,373)	(199,673)	(48,785)
Taxation Credit	34,208	88,316	24,389
Loss on Ordinary Activities after Taxation	(83,165)	(111,357)	(24,396)
Extraordinary Credit	—	30,726	41,884
(Loss)/Profit transferred to Reserves	(83,165)	(80,631)	17,488
Dividends	—	—	7,812
Loss per Ordinary Share	(0.53p)	(0.71p)	(0.16p)

Although the trading loss for the first half is less than that suffered in the comparable period of the previous year, the results are of course regarded as disappointing. Unfortunately, bad weather in the period had an adverse effect on trading and it is to be hoped that a return to normal seasonal conditions will bring about an improvement in turnover and profitability. In view of these results, the directors regret that they are unable to declare an interim dividend. The possibility of paying a final dividend will be reviewed when the full year's figures are available.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8DT Telephone 01-421 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross Yield	P/E	Fully Paid
148	123	Ass. Brit. Ind. CULS...	138	—	10.0	7.5	8.9
17	44	Airprognosis	12	—	8.4	7.3	9.8
42	28	Armistage and Rhodes	18	—	4.0	14.5	20.7
168	108	Bardon Hill	167	—	4.0	2.5	18.

Salih back with £8m placing for Aberdeen Steak

BY LUCY KELLAWAY

Aberdeen Steak Houses, a chain of 28 restaurants based in London's West End, is coming to the USM with a value of £8m.

The chairman and managing director, Mr Ali Salih, previously owned the London Eating Houses group which went into liquidation in 1975 with debts of £750,000. Mr Salih blames the failure on a strike, the three-day week, although the Official Receiver judged the company to have been under-capitalised and operating under weak financial controls.

London Eating Houses was prosecuted three times for failing to meet food hygiene regulations, and has also had problems with a largely Turkish workforce, some of whom did not have work permits.

The flotation of Aberdeen ran into further difficulty last Wednesday when the company secretary, Mr Aziz Suleman, resigned following the appointment of a finance director, Mr William Spence. Mr Suleman made a series of allegations relating to the way that the company's accounts had been prepared which have been strongly denied by the auditors, Coopers and Lybrand.

The new issue, which was planned to take place over two years ago but has not been ready, is now going ahead with a placing by Fiske and Co of 8m shares at 97p.

Three-quarters of the shares being placed will raise £1.3m for the company after expenses. The remainder is being sold by Mr Salih, who will own 75 per cent of the company after the flotation. The proceeds will be used to expand the company and to repay borrowings of about £800,000.

Aberdeen Steak Houses was started in 1975 when Mr Salih bought five restaurants from the receiver of London Eating Houses. Since then, expansion has been rapid. In each of the last five years turnover and profits have risen, and in 1984 the company made £284,000 on a turnover of £7.2m.

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Ransomes in £4.25m deal for Mountfield

Ransomes, Sims & Jefferies, the Ipswich-based manufacturer of grass cutting and farm machinery, has bought for £4.25m the UK and European estate and garden machinery manufacturing businesses of G. D. Mountfield.

Ransomes at present makes grass-cutting machinery mainly for the professional user, while Mountfield manufactures quality domestic mowers. Ransomes says the purchase will increase its product range and broaden its activities into other sections of the market.

Mountfield's remaining businesses, principally Power Gardening (Slough) and Robert H. Andrews, which distribute and retail grass machinery, will be retained by the vendors.

The purchase price — being satisfied by cash and £300,000 of redeemable loan notes — is subject to the business making pre-tax profits of £500,000 in the year to August 31, adjusting for certain costs. In the year to August 1984, the businesses being acquired had a turnover of £13.8m and attributable pre-tax losses of £135,000.

However, there would have been an attributable profit of £214,000 if the figures were adjusted for the same costs being taken into account in drawing up the 1985 figure of £300,000.

Net book value of the assets being acquired is £4.56m as of August last year.

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Fourfold profit surge by D. Dixon

THE PROFIT surge shown by David Dixon Group in the first half continued for the rest of the year. On turnover increased by 11 per cent pre-tax profit improved by almost four times from £181,000 to £702,000.

In the year to March 30, 1985, the Leeds-based clothing manufacturer saw turnover improve from £14.3m to £15.39m. A final dividend of 3.5p is proposed, compared with 2.25p for 1983-84, making a total of 8p (4.5p).

The main improvement was achieved by the Tudbury offshoot which made record profits. Mr Harry Turpin, the chairman, said in his annual report that the foundations laid in 1983-1984 proved a sound basis for trading during the year. Every division showed higher margins, with a significant advance in the underwear/leisurewear division.

He added that the base of turnover was widened and the launch of the Pierre Cardin range of hosiery was successful.

Although the year under review was good Mr Turpin said

that there were signs that the present year would be even better.

Profits at E. W. Thomson & Sons fell, mainly due to an exceptional charge for consultancy work. Sales at the beginning of the year were poor because of dumping by a competitor but they were beginning to improve and profits this year should be better.

Deacon and Smith had a poor year because of the miners' strike. There was a good improvement so far this year with fashion and the Bear Brand ranges doing well and a healthy order book.

S. Mayers recovered in the second half after a major reorganisation. Profits improved even after allowing for bad debts of £28,000 and exceptional expenses of £28,000. The present year was showing better figures and higher profits were expected.

Despite the violent fluctuation in sterling, Daden International had a successful year. The

childrenswear range was extended and licence agreements were obtained for two major groups of cartoon characters. Popeye and family and Warner Brothers' Looney Tunes.

Group operating profit was doubled at £1.04m (£501,000) and the pre-tax figure was struck after net interest payable of £336,000 (£320,000). The tax charge was £74,000, against a credit last time of £58,000, and minorities took £8,000 (£1,000), leaving earnings per share at 33.9p, an increase of almost three times on the previous figure of 12.9p.

Preference dividends absorbed an unchanged £4,000 and ordinary dividends took £109,000 (£91,000).

comment Two years ago Tudbury, normally David Dixon's biggest earner by far, took the group into heavy losses. New management carried out a rationalisation programme and in the year just ended Tudbury's recovery has brought the group back to the

sort of profit levels it has not seen since 1980. Dixon expects Tudbury to make further progress this year; its customer base has grown to include most of the big chain stores, and the launch of the Pierre Cardin line, for which there are great hopes, could contribute an initial £50,000 to the profit line. The other divisions have suffered a variety of problems: Dixon hopes to have cured the internal ones by giving them the Tudbury treatment but the external ones tend to demonstrate the group's vulnerability to a volatile market.

The shares were up 11p at 183p yesterday. Some of their value rests on curiosity about the intentions of the mysterious Cyprus-based Mr Alan Scrase and his Liechtenstein-registered trust Establishment Plambuit, still sitting on 29.9 per cent of the voting rights. Nevertheless £1m could be in sight this year, which has the shares looking modestly rated on a prospective p/e ratio of 5 after a notional 35 per cent tax charge.

Self-employed pensions showed a tremendous advance in annual premium business from £238,000 to £42m. But because of the marketing stance of these pensions single premiums fell back from £8.3m to £4.7m.

The company's other pensions business was also strong with new annual premiums up from £3m to £5.8m and single premiums up by half from £13m to £18.4m. This latter growth came from a massive leap in investment in the company's pension buy-out plan where sales quadrupled to £6.07m.

The company's traditional ordinary life business fell back following the loss last year of Life Assurance Premium Relief with annual premiums cut by two-thirds from £2.9m to £850,000. However, the company had good growth in its unit-linked business with single premium bond sales rising more than 40 per cent to £9.5m.

Buoyant pensions boost London Life

GOOD NEW business in the first six months of this year is reported by London Life Association, a mutual life company, thanks to its buoyant pensions business.

New annual premiums rose by a quarter from the first half of last year to £5.86m, and single premiums by more than a fifth to £38.3m.

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Disappointing response to C H Industrials' rights

CH Industrials, has had a disappointing 10.6 per cent take up on its £5.25m rights issue of convertible preference shares, leaving the rest in the hands of the underwriters led by Kleinwort Benson.

Earlier this year CHI failed in an attempt to take over Banco, a car parts maker. It made the cash call to cover the cost of acquiring its 29 per cent stake in Banco, to pay for the acquisition of Calway, a polythene sheeting maker, and to cut borrowings.

It offered £5.25m of 7 per cent convertible cumulative redeemable preference shares of £1 each at the rate of two for every seven ordinary shares. The offer was made on the basis of a 10 per cent take-up, but the response was disappointing. The 99 per cent of its £20.5m rights issue had been taken up. The

deeply-discounted one-for-one issue of 9.92 shares, offered at 210p, was aimed at cutting borrowings and providing the means for further expansion. The balance of shares has been sold.

● Jelliana's Holdings' £7.3m rights issue last month of 7 1/2 per cent convertible unsecured loan stock received acceptance for more than 60 per cent. The rest has been sold in the market.

CASS GROUP, the USM-quoted telecommunications and leisure company, said yesterday that it was in discussions with several companies which could lead to an offer being made for the group. It also said that the group's shares had jumped sharply before the announcement and closed 35p higher at 170p.

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ABERDEEN STEAK HOUSES GROUP plc

(Incorporated in England under the Companies Acts 1948 to 1967 — No. 1,235,852)

The Company operates 28 restaurants in Central London of which nine trade under the name "Aberdeen Steak Houses", four under the name "Angus Steak Houses", four under the name "Maxines Des Champs Elysees", one under the name "Maxines Seafood Restaurant", one under the name "American Hamburger", one under the name "The Pancake House Restaurant" and one under the name "Trat West Bistro Italiano."

This advertisement is issued in compliance with the requirements of The Stock Exchange and in connection with the placing by Fiske & Co of 3,000,000 Ordinary shares of 5p each of Aberdeen Steak Houses Group Plc at 67p per share.

An application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of Aberdeen Steak Houses Group Plc in the Unlisted Securities Market. A proportion of the shares being placed is available to the public through the market during market hours today. It is emphasised that no application has been made for these securities to be admitted to listing.

Particulars relating to the Company are available in the Excel Unlisted Securities Market Service and copies of such particulars may be obtained during normal working hours on any weekday (Saturdays excepted) up to and including 28th August, 1985, from:

FISKE & CO.

Salisbury House, London Wall, London EC2M 5QS

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	Price	+ ord	yr
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2%	27%	Alleg Corp 51	32% ^{ad}	\$1 80	34
1%	7%	Wm Ode Jones 51	13 1/4	300	13
1%	1%	18230 Amer Nat	10 1/4	200	14
1%	30%	Amer Cyanamid 35	40 1/2	\$1 90	34
7%	30%	Inter Express 50 60	32 1/2 ^{ad} + 1/2	\$1 20	26

375	Macfarlane-Glenlivet	280	13.50	50	12.80	40
51	Marques de Vaux	135	1.95	0	1.70	0
100	Marques de Vaux	235	6.0	2.0	2.0	0
110	Marques de Vaux	216	6.1	2.0	3.0	12.0
180	Marques de Vaux	177	15.75	20.0	3.0	12.0
177	Marques de Vaux	177	9.0	3.5	4.5	4.5
177	Marques de Vaux	146	6.09	2.1	6.0	9.3
270	Marques de Vaux	500	10.50	2.5	14.0	11.0
270	Marques de Vaux	290	6.95	2.5	4.1	10.7
270	Marques de Vaux	342	7.4	3.0	3.2	16.8
180	Marques de Vaux	290	1.5	0.5	0.5	0.5
180	Marques de Vaux	135	6.3	0.7	0.7	0.7

BUILDING, TIMBER, ROADS—Cont.					DRAPERY & STORES—Cont.				
1925	Stock	Debt	Div	YTD	1925	Stock	Debt	Div	YTD

[illegible][illegible]

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INDUSTRIALS—Continued[illegible]

Indices

NEW YORK...DTM...LONDON...

	1985						Since Completion		
	Aug 8	Aug 9	Aug 2	Aug 1	July 30	July 30	High	Low	
Industrials	1,234.57	1,349.89	1,353.05	355.62	1,347.48	1,296.10	1,358.54 (84.07)	1,194.89 (4.71)	41.22 (2.13)
Transport	888.88	694.83	889.44	700.13	652.83	852.17	953.83 (17.7)	702.83 (17.1)	12.32
Utilities	756.11	155.31	156.85	156.96	157.00	156.75	149.54 (12.7)	158.51 (12.7)	18.5 23.44
Trading net		76.56	67.86	121.66	124.16	162.26	-	-	-
Total Net Worth									
					July 28	July 29	July 12		Year Ago (Approx)
					-0.73	-0.19	-0.73		

STANDARD AND POIDS		4.50	4.51	4.50	5.00						
		1985					Since Completion				
		Aug 6	Aug 5	Aug 2	Aug 1	July 31	July 30	High	Low	High	Low
Industrials	211.80*	212.40	213.10	213.32	212.52	211.54	(215.8) (171.0)	228.24 (4/1)	219.83 (16/7/85)	262.52 (3/5)	215.75 (17/7/85)
Composites	190.12*	188.52	191.48	192.11	190.82	189.83	195.65 (17/7)	183.88 (4/1)	185.85 (17/7/85)	4.48 (1/5/82)	176.32
							July 24	July 17	Year Ago (Approx)		
Ind. & the yield %							3.68	3.62	3.68	4.24	
Ind. P/E Ratio							12.87	12.29	11.89	10.51	
Ind. Low Dow Yield							18.84	18.38	18.25	12.87	

N.Y.S.E. ALL COMPANIES					RISER AND FALLS				
1985									
Aug 6	Aug 7	Aug 2	Aug 1		Aug 5	Aug 2	Aug 1		
				High	Low				
110.87	110.27	111.38		110.40 (17 7/8)	94.00 (4 1/4)				
					Jacobs traded	2,007	1,965	2,011	
					Rose	1,627	1,624	1,640	
					Falls	1,148	918	548	
					Unchanged	414	479	423	
New York Active Stocks									
		Stocks Traded	3,559,341	Change on Day			Stocks Traded	3,870,000	Change on Day
Real Estate		2,867,580	16 1/2%	-	Pan Am Corp	1,333,100	7	7	unchanged
Chemical Corp		231,000	23 1/2%	-	Boeing	2,610,000	11 1/2%	11 1/2%	unchanged
TWA		2,039,780	22 1/2%	-	Shawts Inc	1,001,700	32 1/2%	-	unchanged
Recreation Div		1,971,200	33	+ 1	Mid-So Ind	827,500	11 1/2%	-	unchanged
Woolen Fib		1,674,200	23 1/2%	+ 1	East Air	567,500	11 1/2%	-	unchanged
Advocate 415		Dealers 1,196							

TORONTO		1985				
Metals & Metals Composite	Aug 8	Aug 5	Aug 2	Aug 1	High	Low
	2,784.4*	closed	2,790.20	2,194.8	2,198.7 (13/2)	1806.8 (4/1)
	2,814.2*	closed	2,768.8	2,194.8	2,804.6 (26/1)	2,348.5 (8/1)
MONTREAL Portfolio	138.64*	136.87	137.81	137.54	138.33 (19/7)	117.88 (8/1)

LONDON

LONDON		Chief price changes (in pence unless otherwise indicated)	
RISES			
Allied Irish	135	+10	
Babcock Int.	137	+ 8	
BP	540	+12	
Carpets Int.	595	+ 5	
Cash	170	+35	
Consolid	420	+15	
Dixon (D)	185	+11	
Enterprise	169	+ 8	
Glaxo	£134	+4	
Glynwed Int.	199	+ 7	
GKN	220	+ 9	
Guinness	259	+ 6	
Intasum	130	+ 7	
Jardine Sec	128½	+9½	
Lasmo	280	+15	
Lyle Ship	181	+ 3	
Merc. House	262	+17	
Owen Owen	300	+25	
Parrish (JT)	410	+35	
Rotork	114	+ 9	
STC	100	+ 4	
Tace (Nil-paid)	80pm	+42	
TI	339	+12	
Unitech	232	+17	

Vickers	203	+10
FALLS		
Beecham	338	- 5
Burton	455	-10
Clogan Gold	21	- 4
GMK	583	-22

Grand Met		300 - 5	
MONTREAL			
<i>Closing prices August 5</i>			
11006	Bank Mont	\$30 1/2	30 + 1/2
184	BombardR	\$14 1/4	14 1/4
9839	BombardR	\$14 1/4	14 1/4
1350	CB Pak	\$2 1/4	2 1/4
10360	Canadads	\$17 1/2	17 1/4
120	ComStel	\$18	18
108	DanTZA	\$1 1/2	1 1/2 - 1/4
4486	Gaz Metro	\$1 1/2	1 1/2
1350	MetTras	\$15	15 - 1/2
1550	NatStk Co	\$2 1/4	2 1/4
100	Power Gen	\$27 1/2	27 1/2
1357	Royal Bank	\$31 1/2	31 + 1/2
5000	Ypt/Trasco	\$22	22
Total Sales - \$ 254,498			

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FINA
EUROPE

	August 8	August 5	August 2	August 1	1955 High	Low
AUSTRALIA						
All ind. (1/1/80)	837.8	940.5	938.8	938.8	940.5 (5/8)	715.3 (7/1)
Woolste & Mies. (1/1/80)	941.8	943.8	939.8	949.8	953.8 (20/5)	362.5 (7/1)
AUSTRIA						
Credit Anstalt (2/1/62)	98.10	94.85	94.80	94.28	103.73 (17/8)	85.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2302.34	2301.81	2305.97	2318.79	2327.23 (29/7)	2080.7 (18/1)
DEENMARK						
Copenhagen SE (2/1/83)	-	217.44	215.38	215.93	218.48 (28/7)	158.44 (8/1)
FRANCE						

CAC General (31/12/82)	218.1	212.8	215.30	212.80	233.1	(51/5)	100.1	(5/1)
Mid Yields (31/12/84)	223.3	225.9	222.90	221.8	230.4	(51/6)	100.3	(5/1)
GERMANY								
CAF Aktien (31/12/58)	478.04	476.29	473.2	u	502.82	(5/1)	387.26	(5/1)
Consumer (31/12/59)	1487.7	1400.7	1397.3	1393.4	1486.2	(5/1)	1111.8	(3/1)
HONG KONG								
Hang Seng Stock (31/7/84)	1700.93	1671.90	1685.58	1678.85	1686.85	(22/1)	1220.74	(2/1)
ITALY								
Borsa Com. Ind. (1972)	363.58	382.82	358.38	366.08	382.92	(5/8)	228.58	(2/1)
JAPAN**								
Nikkei 225 (19/5/48)	12437.28	12450.82	12525.96	12539.34	12540.10	(8/7)	9145.82	(5/1)
Tokyo SE New (4/5/48)	10037.12	1010.45	1018.93	1018.80	1008.10	(8/7)	8116.2	(5/1)

NETHERLANDS						
ANP Cents (1970)	218.5	218.0	218.0	217.7	220.9 (8/7)	185.8 (3/1)
ANP Cents Index (1970)	148.2	148.5	147.7	158.0	148.5 (8/8)	147.1 (3/1)
NORWAY						
Date Sep 14/1/83	347.2	348.95	348.75	347.82	348.95 (5/4)	288.18 (2/1)
SINGAPORE						
Strata Time (1988)	753.58	754.78	771.21	765.90	852.65 (1/7)	717.95 (15/7)
SOUTH AFRICA						
JSE Gold (28/1/97)	-	828.3	861.1	-	1148.8 (16/4)	838.1 (11/3)
JSE Index (25/3/97)	-	821.2	941.5	-	1038.0 (17/7)	767.1 (7/7)
SPAIN						
IBEX 35 (28/1/84)	110.46	116.58	116.98	111.30	117.41 (4/2)	101.48 (2/3)
SWEDEN						
Stockholm S P (11/5/8)	1372.37	1378.18	138.31	1374.28	1498.58 (1/12)	1285.32 (8/7)
SWITZERLAND						
Swiss Bank Cys.	454.5	455.1	458.0	c	468.1 (8/7)	388.7 (3/1)

WORLD				
Capital Int. (1/1/70)	-	215.1	220.0	221.4 224.3 (17/7) 194.6 (4/71)

* Indicates pre-crisis figures ** Saturday Japan 3 Japan Nikkei Dow 12482.27 TSE 1013.98 Dow values of all indices are 1000 except Australia All Ordinary and Metals - 500 NYSE All Common - 50 Standard and Poors - 101 and Toronto Composite and Metals - 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/82 † Excluding bonds ‡ 400 Industrials 5 400 Industrials plus 48 Utilities Financials and 20 Trans-

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Stock	Sales (thds)	High	Low	Last	Chng	Stock	Sales (thds)	High	Low	Last	Chng	Stock	Sales (thds)	High	Low	Last	Chng	Stock	Sales (thds)	High	Low	Last	Chng	
Continued from Page 29																								
Valu 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WD 40	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	4	18 1/2	18 1/2	18 1/2	1/2	Wyman	.80	202	27 1/2	29 1/2	26 1/2	1/2
Valu 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Xerox	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Yoko	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
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Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
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Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
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Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	Zell	1	115	15 1/2	15 1/2	1/2	
Verde 1.30	2490	37 1/2	37 1/2	37 1/2	1/2	WestCo	.96	19 1/2	19 1/2	19 1/2	1/2	WestCo	.96	1										



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FINANCIAL TIMES
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Prices at 3pm, August 6

Continued on Page 29

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Prices at 3pm August 6

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25% or more is shown, the year-to-date high and low prices of the dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual dividends based primarily on the latest dividend.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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Continued on Page 27

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Blue chips retreat in selloff move

THE SELLOFF on Wall Street continued yesterday with blue chips slipping lower at midsession after some early bargain hunters returned to the sidelines, writes Terry Byland in New York.

The bond market remained subdued ahead of the first of the week's three auctions of Treasury securities.

At 3pm the Dow Jones industrial average was down 15.48 at 1,331.43.

Airline stocks continued to advance, and there was some support for utilities, always an indicator of market views on interest rates. But the industrial sector fell back on persistent selling pressure.

Banking stocks were subdued by the confirmation that BankAmerica, until recently the world's largest bank, had cut its dividend from 38 cents to 20 cents a share in a bid to strengthen its financial position. More than 3m BankAmerica shares traded early in the session, and the price fell 1 1/4 to \$15 1/4. The dividend cut - the first by the California bank since the bleak days of the depression - sharply reduces the yield of the stock which is still prominent in many institutional portfolios.

The bank stocks to feel the chill included Chase Manhattan, 3/4 off at \$56 1/4, J.P. Morgan, 3/4 down at \$48 1/4, and Citicorp, 3/4 down at \$47 1/4. However, selling of bank stocks was light.

The technology sector brushed off the

latest bad news from the industry, leaving Control Data to suffer alone for its downgraded results already reported for 1984 and the first half of 1985. At \$26 1/4, Control Data shed 3/4 on light turnover.

IBM edged up 3/4 to \$131 1/4, Burroughs 3/4 to \$64 1/4, and Honeywell 3/4 to \$65. Sperry, 3/4 off at \$50 1/4, remained hopeful of a new bid approach.

Mr Carl Icahn's disclosure to the SEC that he held 40 per cent of TWA, quickly followed by news that a further 1m share block had changed hands, left the airline's shares 3/4 off at \$22 1/4, against the \$24 a share offered by Mr Icahn, which is \$1 above the bid from Texas Air accepted by the TWA board. On the American Stock Exchange, Texas Air added 3/4 to \$18 1/4.

United Air, 1 1/4 up at \$59, continued to lead the domestic carriers ahead, with the brokerage analysts forecasting that increased traffic and lower fuel prices will push earnings ahead.

Pan Am, which disclosed a 13 per cent increase in July traffic, was 3/4 up at \$7 1/4, close to a new peak, with more than 1m shares traded early in the session.

Stock in National Intergroup jumped to \$29 1/4 initially but settled at \$28 1/4, 3/4 up on the offer of \$35 from Leucadia for the 91 per cent of the equity not already held.

In entertainment issues, MGM-UA bounded by a further 1 1/4 to \$23 1/4 in heavy trading, in response to Mr Ted Turner's plan to offer \$29 a share or \$1.5bn cash for the equity. The market's discount to the bid price indicates Wall Street's lack of conviction in the bid's prospects. CBS, another erstwhile Turner bid target, edged up 3/4 to \$107 1/4.

The Detroit auto stocks remained unimpressed by the latest sales figures from the industry. General Motors eas-

ed 3/4 to \$71 1/4, and Chrysler 3/4 to \$36 1/4. Only Ford, at \$44 1/4 managed a gain of 3/4. American Motors remained unchanged at \$9 1/4.

Defence stocks remained firm behind President Reagan's disclosure that he plans to force action on the federal deficit. Bell Helicopter, which will protect the industry against spending cuts left General Dynamics 3/4 up at \$77 1/4 and Boeing 3/4 up at \$49 1/4.

Dollar-oriented issues, such as pharmaceuticals, moved narrowly as the U.S. currency continued to strengthen. At \$112 1/4, Merck added 3/4 but Pfizer was 3/4 off at \$49 1/4. In an uncertain chemicals sector, Union Carbide fell 3/4 to \$50 1/4.

Other features included American Can, 3/4 off at \$57 1/4 after taking a stake in Jetties, the major trader in the third market, where stocks are bought and sold off the major trading floors.

Elthy, 3/4 up at \$23 1/4, topped the active list. Also busy again was Beacore Group, 3/4 up at \$32 1/4, still responding to the change in boardroom leadership.

Early firmness in the credit markets was cooled towards midsession when federal funds moved up to 7 1/4 per cent and the bond sector settled down to await news from the auction of \$8.5bn in three-year notes - the opening of the record Treasury refunding programme.

EUROPE

Reservoir of interest at low level

THE SHALLOW reservoir of investor interest contracted again yesterday on the European bourses as the summer holiday season took hold, leaving volume at scant levels.

The firmer tone of the dollar had virtually no impact on a listless Frankfurt that saw blue-chip banks losing more ground on resurrected fears of Latin American debt problems despite the recent strong profits performance of the sector. The Commerzbank index managed a 7.0 point rise to 1,407.7.

Deutsche Bank suffered most. It fell DM 3.50 to DM 549.50 as Commerzbank dipped DM 1.30 to DM 312.50. Insurers perked up with a DM 35 rally to DM 1,780 for Munich Re while associate Allianz firmed DM 5 to DM 1,415.

Car makers, recently exposed to the vicissitudes of exchange rates and oscillating foreign interest, closed narrowly mixed, with BMW ahead DM 1.40 to DM 422.50 and Porsche off DM 1 DM 1,293. VW, which has claimed the laurels of leading European car group in volume terms, edged 50 pf higher to DM 307.50.

Other features in the relatively drab session were Hoechst, DM 2.80 higher at DM 218, and König & Bauer which made its trading debut to close at DM 330 compared with its flotation price of DM 285.

Engineer Linde gained DM 6.50 to DM 493.50 ex-rights. Veba, which is seeking a share listing in Vienna, was unchanged at DM 236.20.

Department stores found some comfort in lingering hopes of lower interest rates, with Kaufhof adding DM 7 to DM 268.

Foreign demand, which ignored the stock market, surfaced in the bond market, pushing prices higher by up to 20 basis points with more recent issues particularly sought. The Bundesbank sold DM 60.1m in paper compared with Monday's DM 18.1m sales.

Milan managed to gain further ground although low volume was again the order of the day with demand acutely selective.

BI-Invest sparked with a L730 rise to L6,180, and Banco Commerciale added L180 to L23,900.

Late profit-taking trimmed the gains for Fiat, which closed L49 higher at L4,249, and Montedison, L5 up at L6,200. Insurer Toro lost most of Monday's advance with its L90 setback to L17,900 while Snia also moved against the trend with a L21 decline to L3,439.

Zurich eased after Monday's overnight fall on Wall Street. Local investors were conspicuously absent leaving most sectors to drift aimlessly. Adia surrendered SwFr 15 of its previous session gain to close at SwFr 3,303, and leading foods group Nestlé lost a further SwFr 15 to SwFr 6,593. Union Bank dipped SwFr 10 to SwFr 4,290 although Ciba-Geigy managed one of the few respectable gains of the session with a SwFr 30 rise to SwFr 5,450.

The current lack of new issues offered a measure of support to bond prices which tended steady.

Internationals were the focus of attention in a mixed Amsterdam. Royal Dutch sprinted Ff 3.50 higher to Ff 195.80 as Akzo surrendered Ff 3.10 to Ff 121.50 despite its higher profits performance.

Elsewhere, banks attempted a late rally as Amro firmed Ff 1.70 to Ff 68.70, and NMB picked up Ff 2.50 to Ff 210.50. Bonds prices rose.

Paris remained subdued with only light trading evident. Perrier was again featured with another Ffr 13 rally to Ffr 494 while Peugeot traded Ffr 13.50 higher to Ffr 361.

Stores group Carrefour firmed Ffr 80 to Ffr 2,310 after its decision to take operational control of more than 10 Co-op hypermarkets in France.

Utilities weakened in an easier Madrid with Cantabrico 1 percentage point lower to 135 per cent of nominal value.

Chemicals group Ert dipped 1.25 points to 42.50 per cent as Aragoness lost 1/2 point to 127 per cent.

Constructions were largely steady with Dragados and Huarte pegged at 136.50 and 105 per cent respectively.

Selective industrial gains contrasted with a largely unchanged Brussels as utilities finished mixed.

Zinc producer Vieille-Montagne picked up Bfr 60 to Bfr 6,950 although volume remained at recent levels.

Retailer Delhaize encountered profit-taking with a Bfr 50 fall to Bfr 7,750 while industrial leader Petrofina retreated Bfr 40 to Bfr 5,680.

Profit-takers gained the upper hand in Stockholm although Volvo moved against the trend with a Skr 3 advance to Skr 284.

HONG KONG

Flurry fuels run through barrier

A FLURRY of late buying in Hong Kong fuelled a strong rally, sending the Hang Seng index through the psychologically important 1,700 barrier to its best level in four years.

The index put on 29.03 points to 1,700.93 and most investors said they expected the rise to continue for some time as a result of low interest rates and expected gains in corporate profits.

Continued rumours about the sale of Hongkong Land by Jardine Matheson spurred a wave of local buying. The property group added 10 cents to HK\$6.25 after rising 25 cents on Monday, and Jardine was 60 cents ahead at HK\$13.30 after a 40-cent gain the previous day.

SINGAPORE

SPECULATIVE issues were the only gainers in a mixed Singapore performance marked by short covering and stoploss selling.

The Straits Times industrial index, up 1.29 at midday, finished 0.80 lower at 733.98 while turnover rose to 10.8m shares from 7.9m the previous day.

DBS was steady at S\$5.30 ahead of lower over first-half profits, and QAF Holdings, which is controlled by members of Brunei's royal family, rose 5 cents to S\$1.28 before announcing plans for a joint supermarket venture with Emporium Holdings.

LONDON

LEADING stocks rebounded strongly in London, and many recovered losses sustained over the two previous sessions. The easier pound and news of a more favourable UK money supply trend were responsible for the market's change of heart.

Engineering and stocks with overseas earnings potential flourished, and the FT Ordinary share index regained an early loss to end up 12.2 at 956.1.

In gilts, longer-dated issues closed marginally better on average, and short similarly retreated.

Chief price changes, Page 27; Details, Page 26; Share price information, Pages 24-25.

AUSTRALIA

PROFIT-TAKING erupted in Sydney yesterday after Monday's strong gains, and the selling of gold miners triggered a downward trend across the board.

In golds, Central Norseman gave up its previous day's gain of 30 cents to end at A\$9.50, GIMK shed 20 cents to A\$11.30 and Kidston, which gained 22 cents on Monday, lost 6 cents to A\$5.24.

Banks and resource stocks were soundly bruised, with National Bank shedding 11 cents to A\$4.45, Westpac losing 9 cents to A\$4.81 and BHP off 6 cents at A\$6.74.

Both Coles and Myer were steady at A\$3.55 and A\$3.20 respectively ahead of news on their merger plan.

CANADA

GOLDS, hit by lower world bullion prices, dropped in Toronto, taking other sectors along with them.

Lac Minerals fell C\$2 to C\$33, and Dome Mines lost C\$4 to C\$11.5.

Among other active issues, Gulf Canada rose C\$2 to C\$19 1/2 after Friday's news that Olympia and York had acquired the company from Chevron.

Elsewhere, Alcan lost C\$4 to C\$37 1/4, Canada Trust eased C\$4 to C\$43 1/4 and Censtar fell C\$1 to C\$33 1/4.

In Montreal, banks and utilities traded higher while falls were seen in industrials.

SOUTH AFRICA

BOOSTED by a sharp decline in the rand, gold shares recovered from their lows to end mixed. The threat of a strike by miners remained a dampener on the market, however.

Kloof ended R1.25 easier at R61.75 after shedding R2.50 earlier in the session, while Buffels gained R2 to R62.

Mining financials and other mining stocks shadowed golds to end narrowly mixed. Anglo American lost 25 cents to R28.25, platinum producer Rustenburg added 25 cents to R15 and diamond share De Beers shed 5 cents to R10.05.

TOKYO

Institutions hover on sidelines

INSTITUTIONAL investors kept a low profile in Tokyo yesterday, and prices fell for the fourth consecutive session in extremely dull trading, writes Sigeo Nishiwaki of Jiji Press.

Only blue-chip electricals and precision instruments firmed due to buying by dealing divisions of securities houses and speculators.

The Nikkei-Dow market average lost 13.34 to 12,437.28 on a volume of 237m shares, up from Monday's 179m. Declines outpaced advances 457 to 523, with 130 issues unchanged.

Institutions have been active in the first six months of this year and have increased their agency transactions to 32.5 per cent from 15.9 per cent in 1975. If corporations investing surplus funds are included, the transactions are estimated at about 50 per cent.

Reflecting brisk demand for compact discs, Nippon Columbia was bought by dealing divisions of brokerage houses seeking immediate profits. Speculators joined in, pushing the issue up by Y80 to Y1,490 at one stage, but it closed unchanged at Y1,430 after late profit-taking. Meidensha Electric saw-sawed on speculative interest, finishing Y48 higher at Y494.

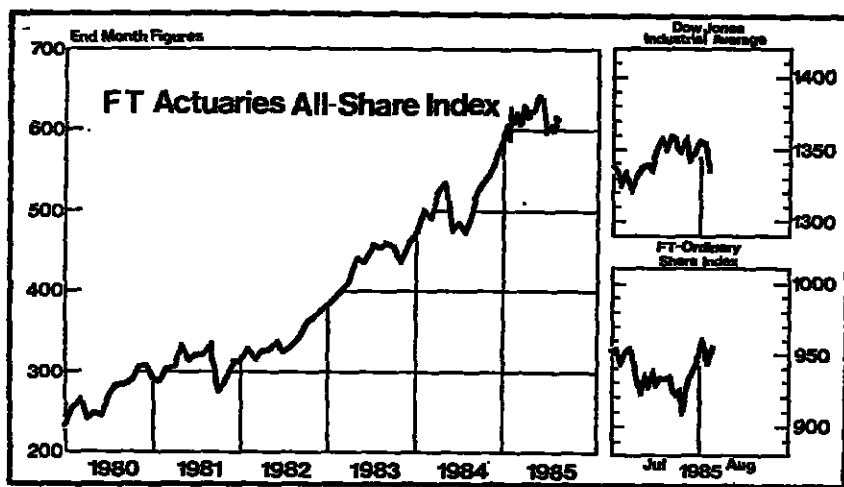
Stimulated by these issues, blue-chip electricals and precision instruments advanced on light buying across a wide front. TDK rose Y170 to Y4,310, while Kokusai Electric and Sony jumped Y130 each to Y1,730 and Y3,800 respectively.

Nippon Steel topped the active list with only 9.97m shares changing hands, dipping Y1 to Y170. Kawasaki Kisen was placed second with 6.75m shares, but lost Y7 to Y200. Tokyo Electric Power dropped Y30 to Y1,990. Biotechnologies, financials, non-ferrous metals and assets-heavy stocks eased.

Mitsubishi Metal, which had been popular since late last week, lost Y26 to Y888 as a result of increased profit-taking on the day's third busiest trading of 6.18m shares. Sumitomo Construction closed Y29 lower at Y350.

Bond market buying by dealing banks increased, pushing up prices. The yield on the benchmark 6.8 per cent government bonds due in December 1994 dropped to 6.35 per cent from Monday's 6.35 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Aug 6	Previous	Year ago
NEW YORK			
DJ Industrials	1,331.43	1,346.89	1,202.96
DJ Transport	687.27	694.63	528.57
DJ Utilities	154.50	155.31	126.40
S&P Composite	188.78	190.61	182.60

	Aug 6	Previous	Year ago
LONDON			
FT Ord	956.1	943.9	830.5
FT-SE 100	1,287.5	1,271.8	1,081.4
FT-A All-share	618.73	612.66	501.33
FT-A 500	677.65	670.64	542.90
FT Gold mines	298.1	308.2	521.0
FT-A Long gilt	10.30	10.29	10.87

	Aug 6	Previous	Year ago
TOKYO			
Nikkei-Dow	12,437.28	12,450.92	10,431.1
Tokyo SE	1,008.12	1,010.45	804.71

	Aug 6	Previous	Year ago
AUSTRALIA			
All Ord	937.0	940.5	736.8
Metals & Mins	541.8	543.4	465.2

	Aug 6	Previous	Year ago
AUSTRIA			
Credit Aktien	95.10	94.85	53.29

	Aug 6	Previous	Year ago
BELGIUM			
Belgian SE	2,302.34	2,301.81	-

	Aug 6	Previous	Year ago
CANADA			
Toronto			
Metals & Mins	2,084.4	2,106.2	1,905.0
Composite	2,781.2	2,796.2	2,303.9
Montreal			
Portfolio	136.64	136.97	114.66

	Aug 6	Previous	Year ago
DENMARK			
SE	N/A	217.44	194.09

	Aug 6	Previous	Year ago
FRANCE			
CAC Gen	216.1	215.6	162.7
Ind. Tendance	123.3	122.9	67.1

	Aug 6	Previous	Year ago
WEST GERMANY			
FAZ-Aktien	479.04	478.29	336.17
Commerzbank	1,407.7	1,400.7	978.6

	Aug 6	Previous	Year ago
HONG KONG			
Hang Seng	1,700.93	1,671.90	903.47

	Aug 6	Previous	Year ago
ITALY			
Banca Com.	365.59	362.92	211.97

	Aug 6	Previous	Year ago
NETHERLANDS			
ANP-CBS Gen	218.9	218.0	159.4
ANP-CBS Ind	188.3	188.0	128.5

	Aug 6	Previous	Year ago
NORWAY			
Oslø SE	347.27	349.95	265.08

	Aug 6	Previous	Year ago
SINGAPORE			
Straits Times	753.98	754.78	594.87

	Aug 6	Previous	Year ago
SOUTH AFRICA			
JSE Golds	-	829.3	917.2
JSE Industrials	-	921.2	784.1

	Aug 6	Previous	Year ago
SPAIN			
Madrid SE	110.46	110.56	100.28

	Aug 6	Previous	Year ago
SWEDEN			
J & P	1,372.37	1,376.19	1,538.73

	Aug 6	Previous	Year ago
SWITZERLAND			
Swiss Bank Ind	454.5	455.1	373.5

	Aug 6	Previous	Year ago
WORLD			
Capital Int'l	219.1	220.0	179.5

	Aug 6	Previous	Year ago
GOLD (per ounce)			
London	\$320.25	\$323.50	
Zurich	\$320.60	\$323.75	
Paris (Bldg)	\$322.10	\$323.91	
Liège (Bldg)	\$321.85	\$323.50	
New York (Aug)	\$320.70	\$323.50	

	Aug 6	Previous	Year ago
COMMODITIES			
(London)			
Silver (spot bid)	453.65p	448.10p	
Copper (cash)	£1,092.50	£1,049.50	
Coffee (Sept)	£1,653.50	£1,666.50	
Oil (spot Arabian light)	\$27.275	\$27.275	

FT FINANCIAL TIMES CONFERENCES

World Motor Conference

Frankfurt, 12 & 13 September, 1985

Globalisation will be the principal theme at the Financial Times 1985 World Motor Conference which will be chaired by Mr Robert Lutz and Mr Rudolph Stahl. The authoritative panel of speakers will include:

Mr Umberto Agnelli
Fiat Group

Mr Robert A Lutz
Ford of Europe Inc

M Bernard Hanon
Former Chairman of Renault

Dr Eberhard von Koerber
Bayerische Motoren Werke AG

Mr Sten Langenius
Volvo Truck Corporation

Dr Sergio Pininfarina
Industrie Pininfarina SpA

Mr Roger B Vincent
Bankers Trust Company

Mr Paul Anderson
Booz-Allen & Hamilton Inc

Dr Carl H Hahn
Volkswagen AG

Mr Archie M Long
General Motors Corporation

Mr Rudolph Stahl
Robert Bosch GmbH

Mr Peter W Schutz
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